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FINANCING OF LAND PURCHASE

IN

CANADA

By

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"THE FINANCING OF LAND PURCHASE IN CANADA"

Introduction

"THE RIGHT OF POSSESSION TURNS SAND TO GOLD"

Since Arthur Young's now-famous dictum was penned, interest in land, which since creation has been more or less co-existent with interest in life itself, has greatly increased. In the meantime democratic principles have multiplied and expanded with ever-accelerating pace and not least among them has been the almost universal belief in individual ownership of property including land. It was now possible that politicalddemocracy should long exist side by side with industrial feudalism. (The last vestiges of the feudal system of land holding in Canada disappeared in 1860). Together with this condition there has come with marvelous rapidity the so-called industrial revolution - from present indications as yet only rightly begun. To attempt any final prophecy of future development is humanly impossible.

But with it all and through it all humanity has had to be and must continue to be fed. Land, therefore, must remain all-important. Hence questions of land policy, land ownership and land production must always remain of vital interest and importance. Particularly is this the case owing to the special peculiarities which land possesses as distinct from all other goods. The fact that the world's land surface is limited in area, and the more important fact that there is always a stage in its productive capacity beyond which land yields gradually diminishing returns, -- these indisputable truths must make all problems connected with land more complex and important as population and hence food consumption increases. So long as the world's

available agricultural land is abundant in comparison with the world's population, just so long will extensive methods of land cultivation and the era of large individual land holdings remain. But if the world's population increases either as Malthus suggested, in geometrical ratio, while the rate of increase in product per acre takes place in arithmetical ratio, or by the increase of births over deaths taking place faster than the improvements in methods of cultivation, then it is obvious that sooner or later land will become scarce, will rise in value, and that the amount held by each occupant will be proportionately less. How, may we ask, does the above supposition compare with the facts as revealed in present-day reports of world examiners? Europe and Asia are and indeed long have been continents of small land-holdings and intensive methods of cultivation. In the western hemisphere the much lauded inexhaustible areas of land in the United States have well-nigh disappeared. The erea of free land in that country passed in the 90's. Where then are we to find the land needed to fill the world's bread-basket, to supply the consuming needs of the rapidly-growing commercial nations? Discovery has yet failed to locate any but the five continents. So acute has the possible future world shortage of land become that governments and economic statisticians everywhere are pointing to the Canadian prairies as the "last Great West". Surely then if the need for land is bound to come, even though that need is not very immediate, and if Canada is the one Country so situated as to be able to supply that need, it is of the utmost importance that the most careful methods of conserving the fertility of Canada's land and of disposing of that part which

still remains in the Crown's control should be employed.

Turning from a world situation let us ask what special importance the subject of land policy and land purchase holds for us in Canada. Is there anything peculiar about about our own country that should make this subject more important to-day than is was a generation or two ago? Despite all present-day efforts of civilized nations to attain greater degrees of self-sufficiency through higher protective tariffs, they are not able nor will they be able to destroy the principle of comparative advantage. Unless all countries are willing to forego the advantages of international trade, and to discontinue industries rendered possible only because of products being available in other countries than themselves, then we must have a greater or less degree of national industrial specialization. So often of late years one hears and reads the statement "Canada is and must remain predominantly an agricultural country." What is the significance of this statement? It is that Canada, because she is a new country historically and industrially, has still great areas of fertile agricultural land which are readily available for producing the world's foodstuffs; that that land due to its extent and to the sparseness of our population is still comparatively cheap; and that, although she possesses vast ressources which might be used to develop other industries, yet for the present and for years to come she should especially develop her farming industry. It is the one which for the time being naturally should provide Canada's greatest "comparative advantage". At the same time it must be recognized that any policy of interference which might have a tendency to

create inflated land values or in any way to lessen the farmer's ability to acquire his land, would tend to lessen the value of the agricultural industry from a national viewpoint .

Closely connected with the questions of Canada's agricultural industry and land holding policies is her policy of immigration. To-day from all sides of the country comes the almost universal plea for great increase in immigration - immigration of both men and money. The arguments advanced in favor of this plea are chiefly economic in character. It is held that Canada has built up a transportation system far in advance of present needs but which is costing the country great sums of money. And it is argued that what is needed is more settlers and preferably settlers on the land, who will greatly increase both the passenger and freight revenues of the railways and consequently reduce the government's tax rates. The same reasoning is carried further in considering the question of Canada's national debt. The debt having increased enormously in the last ten years and the population during the same period having increased but little, it is argued that if we had more immigrants the country's debt would be spread over a greater number thus causing the tax burden of each to be lessened.

Finally, and perhaps the most important reason adduced for more people, is the fact that Canada, being a young country with great natural ressources, is at the stage of "increasing returns", to use economic phraseology, -- is at the stage where greatly increased quantities of capital and of equally efficient

labor applied to the country's resources will yield more than a proportionate return in product.

But whatever the reasons offered for increased numbers, the reasoners agree in one particular and that is as to the type and quality of the immigrant. It is always the agricultural immigrant that is wanted. Either persons already experienced in farming or those willing to apprentice themselves to farmers in this country with a view to later becoming independent farmers are sought. Not only are we particular about their physical and moral qualities and their agricultural inclinations, but we are urging immigration of people able to partly, if not entirely, finance themselves. This matter of possessing purchasing power is becoming more and more important in our immigrants. And this fact that the very countries from which Canada desires to draw her immigrants (excluding to some extent perhaps the United States) are in dire need of just the type of immigrant that she wants. They too have huge debts to pay. They too need the people who are the best off financially, and for the very same reasons as Canada needs them. If, then, the people whom Canada would like to bring in and place on farms, must in large measure stay at home, what measures must Canada take to finance those who <u>can</u> come? Apparently for some time to come she will have to choose between doing without <u>many</u> immigrants <u>with</u> capital or supplying some form of capital to those whom she <u>can</u> get. And in proportion as she considers added numbers to her population important, in like proportion must she consider ways and means of financing those numbers and this in

large measure means the many costs entailed in placing them on the land.

Now we have already emphasized the universal necessity for land due to humanity's bodily needs. We have also mentioned that Canada stands to-day as the country best fitted to supply that world need and particularly the inevitable future world shortage. Moreover, we have noted some reasons given for a more active settlement of Canada's land. We have thus looked at the land problem from both a national and an international standpoint. Let us next consider the problem from the point of view of the individual farmer - the actual tiller of the soil.

To begin with, land is the farmer's prime essential. Even the most specialized type of farming requires some land. And in a country like Canada where land is still comparatively abundant and where the latest power machinery is universally used, extensive rather than intensive farming bulks large. Large farms, involving a large initial capital investment as well as large upkeep, are the rule. Unless the financing of the land purchase can be fairly readily accomplished there will be little incentive for a man to acquire equipment, to effect improvements, or to engage in farming at all. If land is very expensive the average beginner at farming cannot purchase it unless he is given extensive credit facilities, and the person with sufficient capital if invested in stocks, bonds or other types of business will yield him a certain and definite return without personal labor or anxiety, whereas invested in a farm it will at best give him a narrow margin of profit and involve a great

amount of uncertainty together with personal oversight. In such cases personal likes and dislikes will largely determine the course followed, but it will be well added that personal likes mean financial prospects in large measure while personal dislikes indicate the absence of such prospects. On the other hand if land is very cheap, the purchaser may figure that he has little to lose anyway and may venture where otherwise he would hesitate. At the same time the owner of a cheap farm, knowing that he has little at stake may prove less frugal, less industrious, and in the end less successful. All such factors play a large part in the buying and financing of farm lands. The above examples illustrate a general or average situation of the farm buyer. Let us consider briefly the Canadian's farmer's present difficulty in this respect.

More or less allied with the question of Canadian agricultural immigration is the present adverse economic condition of Canadian agriculture. To the writer this condition, in itself, constitutes a strong argument against further immigration at the present. To say the least, it should cause any demands for mere numbers as distinct from quality - meaning by quality in immigrants those equipped both physically and financially - to cease. So self-evident is the unsatisfactory condition of farming in this country to-day that one scarcely need mention it. Nor does it improve matters or make that condition any less real to paint agricultural conditions in other countries as much blacker than those in Canada. The increased emigration to the United States, the continued cityward drift in late years, particularly since the general depression of 1921, the

reluctance of our rising generation to engage in farming despite the fact that it is still eloquently styled by the press and from the platform Canada's fundamental industry, the great increase in the number of idle farms even in the older and better established parts of the country, the quite universal tendency to strive desperately, though vaguely perhaps, for relief through united action both political and economic, the gradual restricting of loans by lenders both corporate and individual to the farming class and increasing inability of the latter to meet due payments, the general hesitancy which characterizes land purchases and land movements and the unfortunate yet prevailing last resort of appealing for government aid by way of decreased transportation charges, tariff reductions, better marketing methods, and cheaper and more credit facilities - these are evidences of the deplorable financial situation in which Canadian farmers as a class to-day find themselves.

How far this condition of affairs is the result direct or indirect of past systems of land disposal and past farm credit facilities or lack of them cannot be estimated very accurately, but certain it is that it is partly due to them. How far this present condition can be ameliorated and the future condition improved by changing past or present schemes or policies is a matter of much more immediate importance. But in attempting to improve on the past one must be acquainted with the past in order to profit by its mistakes.

To this end an attempt has been made to bring to light some historical facts concerning Canadian land policies, systems of land

policies, systems of land disposal and terms of sale, and the degree to which Canadian farmers have so far been able to succeed in purchasing their farms in accordance with the land policies, and sale terms laid down and the credit facilities at their disposal.

There are but two fundamental directions to take in attempting to better the economic condition of farmers anywhere. One is the effect a reduction in the cost of establishing and operating the farming business. The other is to effect an increase in the net amount which the farmer receives for the articles which he produces. The former may be brought by such means as tariff revisions, furthering co-operative methods of buying, cheapening transportation costs, improving and cheapening credit facilities, enacting legislation designed to prevent speculation in land or monopolistic profits in industries other than farming, or by any other means which may have the effect of stabilizing the values of the primary and secondary necessities of the farmer. It is with this former method of assistance, i.e. cheapening the farmer's costs of production, that it is intended to deal in the discussion which is to follow. And of those costs the discussion will be confined to the purchase of the farm land only and the various possible ways of financing that purchase. Briefly we may say that in the case of the average farm buyer two main points are considered. First, there is the price that is asked and that must be paid,

and second, there is the ability or inability of the purchaser to find ways and means of paying that price. In other words whether a purchase is made or not will depend on whether the prospective purchaser considers the marginal utility of the land greater or less to him than the marginal utility of the price at which he can bargain for it. Anything which will either decrease the price of the land or increase the buyer's ability to find that price must be considered, an aid in land purchasing.

In any discussion of land purchasing involving the entire Dominion, it is necessary to consider the varying nature of the country being dealt with. For example, one must take into consideration the geographical extent of the country which in turn means widely differing physical, climatic and industrial conditions. In another sense, viz: the extent to which Canadian land policy has been dictated by United States example, geography has played an extremely influential part. Again different racial characteristics have more or less tended to create corresponding types of land settlement and degrees of success in land financing. Finally, the history of land settlement in the various provinces has varied considerably in point of time, a fact which has incidentally afforded those settled late an opportunity to alter or perfect land settlement policies or to take advantage of methods of financing not previously available.

Hence in the following discussion it is proposed to offer a brief examination of the early government land policies. This will include the homestead, preemption and purchased homestead systems, as well as the public sale of lands both on the part of the

Dominion and of the several provinces. It will involve also the history of granting and disposing of land through railway, land, and colonization companies and the terms and conditions under which such companies sold their land. Following this will come the sale of land between individual farmers, the several late provincial attempts at land settlement, and, finally, the Dominion wide experiment as illustrated by the working out of the Soldier Settlement Act. Co-existent with these several policies of land disposal will go a discussion of the methods employed by farm purchasers in paying for their land. This will include independent individual financing, mortgage loans from loans, trust and insurance companies, mortgage loans from individuals, and lastly, stato-aided land purchasing as attempted or suggested by several of the provincial governments and the Dominion government. Each system of land disposal and each method of land purchase financing will be examined, first, from the point of view of the principle or principles involved, and second, fro from the point of view of the degree of success achieved. It will be evident that, owing to more urgent demand on the part of the farmers, the tendency has been for the state to take more and more interest in the question of aiding land purchasing with varying degrees of success and support. Accordingly, special attention will be paid to a consideration of the extent to which the state should assist in purchasing land, and an attempt made to determine whether such assistance is or can be consistent with the retention and development of individual initiative.

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CHAPTER 1

"METHODS OF DISPOSING OF DOMINION LAND"

Due to the fact that not until 1867 was the confederation of the four older provinces possible, the disposition of the land areas in what is now the Dominion of Canada took place under widely different auspices and at varying times. True Upper and Lower Canada (now Ontario and Quebec) had been under a single control for some twenty-seven years prior to this date, but such control in no way interfered with the systems of land disposal employed in the pre-union era. And in addition to this, the governmental machinery had for one reason or another operated with much friction so that active land settlement on the part of new settlers was largely discouraged. Although to us living in a day of governmental accomplishments and undertakings undreamed of half a century ago, the difficulties of confederation may appear infinitesimal, yet, in that day of less familiarity with and greater uncertainty concerning democratic principles of government, the difficulties were very real.

Had Canada from the first been Canada and not a series of provincial growths of varying ages it is quite conceivable and even probable that a uniform policy of public land disposal would have been adopted. But, as it happened, it was not until the territory now included in the three prairie provinces was acquired by agreement with the Hudson Bay Company in 1869 that any such thing as a Dominion land policy became a reality. And when that

policy did originate its operation was confined to certain definite sections of the country. It was thought, and wisely I think, that the already organized provinces or sections that might soon apply for admission to the confederate union, had developed land policies of their own which had seemed to suit their several needs. To change either these policies or the personnel administering them was considered to be quite unnecessary and inexpedient if only on account of the extra expense involved. In any case it has always since been held that legislating for an administration of land within provincial boundaries is a fit and proper subject for each province to deal with. This view is reflected in the fact that control of Crown land under the Dominion automatically passes to the province in which it is located whereever it is alienated from the Crown in any way.

The provinces, however, were in no way fitted to look after the disposal of land beyond their boundaries. It was this land that fell under the control of the Dominion. Thus it happened that the partly settled provinces were allowed to dispose of their own ungranted Crown lands, while the vast unoccupied and largely unexplored area between Ontario and the Rocky Mountains was to be dealt with by the Federal Government.

How was the Dominion government to dispose of this land or was it to dispose of it at all? In this connection two points had to be considered - first, the purposes or reasons for the disposal. Public land in all new agricultural countries is generally disposed of for two or three fairly general reasons and by

two or three more or less uniform methods. Land, being an immovable part of the national heritage, may be kept indefinitely or may be kept only until some useful purpose can be served by its disposal. In most cases, due to man's recklessness and improvidence, it is not kept but rather sold or granted lavishly. It may be used to finance educational or industrial development, to subsidize railway or other transportation agency, to provide a treasury reserve in the form of a consolidated revenue fund, or it may be sold or granted for the purpose of actual settlement and cultivation. As a rule no single purpose controls and no single method of disposal is followed, and in Canada all or nearly all of them have found a greater or less degree of favour.

We may classify the methods of disposal of Dominion land under three main heads. First, and of great importance for our study may be mentioned the system, part sale and part free grant, known as the homestead and preemption system. Second, the system of granting land subsidies to railway companies which later devised methods of their own to dispose of the land. Finally, there was the method of selling the land either in small quantities by private or public sale directly to the farmer settler or in larger quantities by special agreement to land or colenization companies. These latter companies followed individual policies in selling the land so purchased. Not only have all of the above methods of land disposal been used in Canada, but it may also be said that for the most part all have been employed contemporaneously. For this reason the degree of success or favour met with

by each should indicate in some degree at least its respective suitability to the time, place, and persons concerned. An explanation of each of the above-mentioned methods being now in order, let us consider first the homestead and preemption systems.

C H A P T E R II

1. HOMESTEAD AND PREEMPTION SYSTEM.

Exhibiting that almost uncanny faith in United States precedent that has characterized so many phases of her economic growth, Canada, in 1872, adopted a homestead system almost identical with that put in force in the southern country a decade earlier. Indeed in all probability it was more the desire to compete successfully with the westward movement of European and American population taking place across the border than any independent desire to settle her prairie lands that led Canada to adopt the homestead policy. Canada in this respect was hardly her own mistress or creator of her own destiny. At least that was the attitude taken at the time, and whether a different policy might have been followed has long remained and will remain a subject of valueless controversy. The fact remains that the American policy was followed, from the system of surveying to the actual homestead regulations. The motive which finally prompted the adoption of the system across the line and which was probably the impelling factor on this side (at least in so far as it was independent of outside influences) was the belief that rapid settlement by freehold proprietors would be of incomparably more benefit to the state than the millions for which the land in time might be sold. To the extent that this principle has proved sound or unsound depends the degree of success or failure

of the system.

Before attempting any examination of the system a word or two of explanation should be offered. It is not to be inferred that the homestead system of free grants applied only to the lands controlled by the Dominion Government. Several of the provinces have adopted very similar systems of free grants with comparatively slight variations in their regulations. Indeed, Ontario and Quebec had adopted free grant systems to encourage settlement of their more backward lands before the Dominion Homestead provisions had become law. (Ontario in 1868 and Quebec a short time afterwards). British Columbia too, has followed a somewhat similar land-granting policy, except that the preemption system only is there employed. The Dominion homestead system alone is discussed, therefore, not because it is the only one of its kind in Canada, but because it is the one which has met with the greatest response on the part of settlers, because it is the one which has been chiefly advertised, because it is the one which has contributed most to Canada's increasing population, and the one therefore which has had the greatest influence in developing Canada's resources - agricultural and otherwise. Consequently, it is the system, the general results of which are most available for our purpose in attempting to estimate the value of the homestead policy of land settlement, both to the individual farm settler and to the state.

What then were the terms and conditions laid down by

the Dominion homestead regulations? By the Act of 1872 it was enacted that "any person who is the head of a family or is 21 years old, shall be entitled to be entered for a quarter section or a less quantity of unappropriated Dominion lands, for the purpose of securing a homestead right in respect thereof". Every person claiming a homestead right from actual settlement was to file his application for suchclaim, describing the land settled, with the local agent in charge of the land in that district within thirty days after the date of such settlement, if the land was in surveyed territory, or if in unsurveyed territory within three months after such land should have been surveyed. In either case the applicant had to give proof of settlement and improvement to the local agent at the time at which he filed his application. In addition, the person desiring a homestead right had to make an affidavit before a local agent to the effect that he had complied with the regulations as regards age limit and that it was his first attempt to secure a homestead right; that so far as his personal knowledge went no other person was residing on the land in question or entitled to enter the same as a homestead, and that the application was made for "his exclusive use and benefit, and for the purpose of actual settlement." Upon making this affidavit and filing with the local agent, and on paying him an office fee of ten dollars ($10.00) he was to be permitted to enter the land specified in the application. Should

the applicant for a homestead right already own a farm in a district contiguous to the land for which he desired a homestead entry, he had to describe in his affidavit this previous land owned by him, but if in such a case the homestead right was granted, actual residence on the land for which application had been made was not necessary, although no alteration in the improvement and cultivation duties was made. Ordinarily no patent for the land could be granted to the entrant until the expiration of three years from the time of his entering into possession of it, but by section 15 of the Act it was provided that "any person who has availed himself of the foregoing provisions may, before the end of three years, obtain a patent for the land entered upon by him, on paying the Government price thereof at the date of entry, and making proof of settlement and cultivation for not less than twelve months from the date of entry." In any case, if the settler was a British subject either by birth or naturalization, and had fulfilled the settlement duties by residing on the land entered for during six months in each of three successive years, and also the cultivation duties by breaking a certain small acreage each year, and was able to prove such fulfillment by making affidavit before the local agent, corroborated on oath by two responsible witnesses, he was entitled to receive the patent for the land. Until such fulfillment and proof the title to the land remained in the Crown, so that it could not be taken in execution of any debt contracted by the settler. Should the settler voluntarily

relinquish his claim or remain absent from the land for more than six months in any one year, he would thereby forfeit the right to such land, and such a settler was not to be permitted to make more than a second entry. Should a settler assign or transfer his homestead rights before the issue of patent, such assignment or transfer was to be treated as null and void, and would be taken as evidence of abandonment of his right and such person was not to be permitted to make a second entry.

Such were the homestead regulations until 1878. In that year chapter 15 of the Dominion Statutes entitled "The Homestead Exemption Act" provided that "any man, being the owner of an estate in fee simple or for life, in land situated in the Territories of Canada, with a dwelling house thereon occupied by him, may register as a homestead an extent of such land not exceeding 80 acres in the office for the Registry of Titles to lands for the place in which the land lies." Such estate should be understood by the word "homestead" and be wholly exempt from seizure or sale under execution, or under any Act regarding insolvency, for any debt of such owner contracted after such registration, provided the value of the homestead did not exceed $2000.00 and if the value did exceed that amount then the homestead was to be exempt to that amount except "(1) for the amount of any mortgage given to secure the purchase money of the property, or any debt to the Crown on the purchase thereof, being a lien thereon; (2) for the amount of any taxes due thereon."

In 1879 the system of pre-emption entry was introduced as part of the homestead system, the Dominion again displaying a fondness for United States example. The pre-emption may rightly be regarded as part of the homestead system, at least insofar as Dominion lands are concerned. This is so for the simple reason that no right of pre-emption entry could be exercised except by coupling it with an ordinary homestead entry and such homestead entry had either to preceed or go hand in hand with a pre-emption entry. The fundamental distinction between the pre-emption and the ordinary homestead was that the latter was free except for the $10.00 entry fee together with the settlement and cultivation requirements, whereas the former, besides requiring these conditions, demanded that the entrant upon fulfilling the prescribed conditions should pay for the land pre-empted at the regular government price. The pre-emption system was coupled with the ordinary homestead in the hope that ordinary homesteaders would be tempted to take advantage of it and thereby furnish the government some of the much needed revenue for its railroad enterprises.

As defined in the Dominion Lands Act of 1883 the term "pre-emption" means "the entering on the books of the local agent of a preferential claim to acquire by purchase, in connection with a homestead entry, and on becoming entitled to a patent for the homestead, a quarter section or part of a quarter section of land adjoining such homestead; and the term "pre-emption right"

means the right of obtaining a patent for such quarter section or part of such quarter section, on the said condition and on payment of the price fixed by the Government in Council at the time of entry in the class of lands in which pre-emption is comprised, in respect to land subject to pre-emption entry." In brief, to be allowed to pre-empt land simply meant the securing of a three years' option on it before buying on the condition of fulfilling ordinary homestead conditions. The Act of 1879 provided that any person who had the right to make entry for a homestead, could, on paying a fee equal to that prescribed for such entry, viz:- $10.00, receive at the same time an entry for adjoining 160 acres or less of unclaimed Dominion land. Such an entry entitled the person making it to take and hold possession of and cultivate the land so entered in addition to his homestead, and, at the end of the three year period or upon the owner obtaining a patent for the homestead, to a pre-emption of the land entered at the Government price of $1.00 per acre. Such right of pre-emption, however, was to be forfeited together with all improvements on such land, the minute the homestead right itself became forfeited.

Other original clauses introduced into the homestead regulations by the 1879 legislation included a provision that any person obtaining a homestead entry should be liable to its forfeiture should he not become a bona fide occupant of the land entered for within two months of the entry date, and continue to

live on and cultivate the land as required. A similar provision was to the effect that should the Minister of Interior, at any time, order an inspection of any homestead in reference to which there might be reason to believe the provisions regarding settlement and cultivation were not being carried out, he might, on a report of the facts, cancel the entry of such homestead. These clauses would seem to indicate that already difficulty was being experienced in enforcing the homestead regulations. Another clause providing that persons owning and occupying Dominion lands might be entered for other land lying contiguous to their lands so long as the total area occupied, including that previously owned, did not exceed 160 acres, bore evidence of the Government determination to push rapid settlement while restricting the area held by each occupant. A third clause attempted to deal with the problem of settlement in colonies or communities then arising for the first time. It provided that should immigrants form a community settlement (e.g. those of Mennonites or Icelanders), the Minister of Interior could vary or waive the ordinary requirements as to residence and cultivation on each seperate quarter section entered as a homestead. Obviously the intention of the clause and the tendency of its working was to encourage and not to discourage community settlement, of which that of Peter Veregin at Kamsack, Saskatchewan may be taken as an example. A final section of the Act made it legal for any person who had received the patent for land which he had secured by homestead, to dispose of and to convey or transfer his right and title in

such land. It is worthy of notice that authority was given in this legislation for allowing men to make money through selling land for which they had secured homestead patent, but on which they had no intention of remaining longer or improving further. The extent to which this authority was used by this speculative type of settler will be commented on later.

The homestead and pre-emption regulations remained without alterations or additions until they were incorporated in the Dominion Lands Act of 1883. By that time the bad as well as the good effects of the pre-emption entries were becoming evident. Since each might, by exercising his pre-emption together with his homestead right, obtain title to a half section, it was clear that if much advantage was taken of the pre-emption right, settlement, numerically speaking at least, would be but one half as dense as if the homestead right alone were allowed. A Thinly populated country meant fewer tax-payers which in turn meant increased difficulty in building and keeping up roads, schools, etc. The alternative method of land disposal - that of direct or indirect selling - was not meeting with the success hoped for. By that method land was being offered for sale by corporations of various types and sizes. These corporations had bought the land by special arrangement from the Government on the full understanding that they should place settlers on it as soon as possible. But with almost one accord they decided to disregard any agreements regarding procuring settlers and to allow their holdings to rise in

value as a result of the really active settlement of the homesteaders. They thus hoped to derive the value increment, which in this particular instance was truly unearned. This inactivity on the part of the land selling agencies aggravated the difficulties noticeable in the areas already too sparsely settled due to the working out of the pre-emption system. Hence, realizing the possible dangers inherent in the pre-emption system as employed in connection with the homestead system, the Government in 1883 began a policy of gradual restriction of the pre-emption right. It was then provided that any person entitled to exercise a pre-emption right but who failed to exercise that right and pay for the land pre-empted within six months after he was entitled to claim a patent under his homestead entry, should forfeit such pre-emption right, and moreover, that thereafter such pre-emption should not be open to homestead entry without the consent of the Minister of Interior. In addition a provision was at the same time made to discontinue the pre-emption privilege altogether from and after January 1, 1885. This latter provision, however, was not enforced nor was a provision to the same effect passed in the 1884 amendments to the Act of 1883. This amendment provided that the pre-emption privilege should be discontinued from and after January 1, 1887. It was not until after repeated warnings on the part of outsiders and settlers alike that the pre-emption privilege was at last withdrawn in 1889.

The amendments of 1884 added some clauses which stated more clearly the residence and settlement conditions of the homesteaders. For instance, it was then laid down that "any person claiming a patent for a homestead, or for a homestead and pre-emption, shall be entitled thereto, upon proving that he has erected upon his homestead, a habitable house and has bona fide resided therein for not less than three months next prior to the date of his application for his patent; that for the period between the time within which, by clause 31 of this Act, it is provided that a homesteader shall perfect his entry and the commencement of his said three months residence upon his homestead, he has been bona fide resident within two miles from this homestead quarter section; that within the first year aft the date of his homestead entry he had broken and prepared for crop not less than ten acres of his homestead quarter section; that within the second year he had cropped the said ten acres and broken not less than fifteen acres more; and that within the third year he had cropped the said twenty-five acres and broken at least fifteen acres more." This legislation reflects the increasing difficulty experienced in enforcing homestead conditions, chiefly due to the increasing tendency to speculate in rather than to settle permanently upon the land homesteaded. Another clause (a) which again indicated the gradual realization of the fact that single individuals would, if allowed, take over a greater acreage

(a) Dom. Statutes 1884 ch 25, Clause 1.

than they could possibly farm successfully - also that the same tendency would make for over sparseness of population, stated that "persons occupying land owned by them may obtain homestead entry, or homestead and pre-emption entry, as the case may be, for any contiguous lands open for such entry; but the whole extent of land so entered shall not exceed 160 acres as a homestead, or two quarter sections as a homestead and pre-emption."

Carrying still further this effort to thwart speculation and thin settlement, the Government, in 1886, decided to allow but one entry for a homestead by each person. The provision of 1883 allowing a second entry was repealed and a clause was substituted stating that "no person who has obtained a homestead patent shall be entitled to obtain another homestead entry."(b) At the same time, however, it was provided that such a change in the regulations would not take away the right of any person who, before the change was made, had received a certificate or recommendation for a patent.

In 1886 another amendment to the 1883 Act was made,(c) in order to make provision for the homestead rights of the many colonization companies that were springing up at the time, and which had their headquarters as well as their origin either in old Ontario or outside the country. The amendment read as follows: "If any person or company shall be desirous of assisting by advances in money intending settlers in Manitoba or the North-

(b) Dom. Statutes 1886 ch 27, Section 8.
(c) Dom. Statutes 1886 ch 27, Section 9.

West Territories, and of securing such advances, such person or company may make application to the Minister of the Interior stating the plan or project intended to be acted upon, the steps to be taken in furtherance thereof, and the amount to be advanced to such settlers:

(a) If such plan or project be so sanctioned, and such person or company shall therefore place any settler, upon a homestead a statement of the expense incurred by such person or company in (1) paying the actual bona-fide cost of the passage and of providing for the subsistence of such settler and his family, of erecting buildings on his homestead (to which purpose at least one half of the advance made shall be devoted) and of providing horses, implements and seed besides money enough to cover the interest on the amount advanced for a time to be agreed upon to enable such settler to obtain a return from the cultivation of such homestead, shall be furnished to him, and upon his approval thereof, shall be submitted to the local agent who shall examine andverify it; and shall certify the result of such verification by a writing upon such statement signed by him, and thereupon such settler may make and execute an acknowledgement in writing of the amount so advanced to him, and may by such writing create a charge upon such homestead for the amount of such advance, not exceeding $600.00 and for interest thereon, at a rate not above 8%.

(b) The time fixed for the payment of the first instalment of interest upon such advance shall not be earlier than November o

1, in any year, nor shall it be within two years from the establishment of such settler upon such homestead; and also such settler shall not be bound to pay the capital of such advance or any part thereof within less than five years from the date of his establishment upon such homestead.

(c) If such settler fails to perform the conditions of settlement required to entitle him to a patent for such homestead within the time and in the manner provided by the Dominion Lands Act, and shall thereby forfeit his right to obtain a patent, the holder of the charge created thereon may apply to the Minister of the Interior for a patent of such homestead, and upon establishing the facts to the satisfaction of the Minister, shall receive a patent in his name therefor; and such patentee shall be bound to place a bona fide settler on the homestead by selling it to such settler or otherwise within two years from the date of such patent and in default of so doing within the two years, shall be bound to sell the homestead to any person willing to become a bona fide settler thereon for such sum of money as shall be enough to pay the amount of such charge and interest and the expenses incurred by the patentee in obtaining such patent and in retaining the homestead, or pain, in case of refusal, of an absolute forfeiture of the said property and of all claims thereon and of the patent or other title thereto. But if the settler has acquired a right to receive a patent for the land so charged and does not apply for the issue of the same, the holder of such

charge may obtain such patent, or certificate for patent, in the name of the person entitled to receive the same, and thereafter the charge shall become a statutory mortgage on such mortgage."

The above legislation worked out to the advantage of the companies concerned, in most cases at the expense of the settlers brought in by them, and in all cases at the expense of the state. The companies officials largely determined the type of settler, the type of residences and improvement, and in general the full administration of the legislation itself. The legislation looked good on paper, but unfortunately, owing to the unpatriotic character of the personnel at the head of the companies concerned, it worked out very poorly in practice.

Another move undertaken on the part of the Government about this time has for the most part produced equally unsatisfactory settlement results. That was the granting in 1885 on the ordinary homestead conditions, of 320 acres of land to each veteran of the Indian and half-breed outbreak of the spring of that year. In far too many cases those receiving such grants had little or no interest in farming or land settlement conditions, each managed to appoint a substitute. After this substitute had put in the bare margin of time and broken the least possible acreage necessary to secure the patent, settlement and improvement of the land was largely abandoned, and the proud owner, who was probably a clerk in an eastern

city store or bank a thousand miles or more distant, boldly expressed the too-oft realized hope that his land in the West would soon treble in value as a result of the general booming propaganda and " the other fellow's " honest settlement.

In 1894 the Homestead Exemption Act which, by the way, had in 1893 been extended so that the exemption privileges applied to the full quarter section and not only to 80 acres, was repealed. The reason for the repeal was the existence of similar provisions enacted by the Legislative Assembly of the North-West Territories. Naturally these parallel provisions meant serious overlapping between the Dominion legislation and that of the Western Assembly. Due to the Dominion legislation having been first enacted, it was generally held to be valid, while the validity of the Assembly's legislation was often questioned. In order to clarify matters it was decided to do away with the original Dominion Act and leave the Assembly the undisputed right to legislate in this matter. The law repealing the Act(d) made it clear that "any provisions which have been heretofore enacted by the Legislative Assembly of the North'West Territories and are not repealed, purporting to exempt real property in the North'West from seizure by virtue of writs of execution, and the validity of which has been questioned or may be open to question by reason of their repugnancy to the provisions of the Act hereby repealed, shall hereafter be deemed to be valid and shall have force and effect as law"

(d) Dom. Statutes 1894 ch. 29.

With but slight alterations the homestead regulations continued as in 1894 until all matters pertaining to Dominion land were provided for by the consolidation of past legislation and the provision of new regulations in the Dominion Lands Act of 1908. That Act with its revisions remains to-day the essence of Dominion Land legislation. At the time of its enactment the flow of homestead seekers to places in Western Canada was at its height. Immigrants from almost every European country as well as many from the United States and Eastern Canada, vied with one another in the mad westward rush. It was but natural that the conditions relating to land settelement should be so stated as to be readily understandable by peoples unacquainted and unable to become acquainted with the English language and legal methods. In any case various changes in the regulations had been made since the Dominion Lands Law of 1883 so that a concise and clear revision was long overdue. In the same connection it is well to remember that the original bona fide settlers under the homestead system were now well established. Their experience could surely now be of valuable assistance in framing new legislation or altering old legislation. As already noted, the system of pre-emption had been abolished in 1889 chiefly because it was seen to have interfered with the best type of settlement. Now, in 1908, the other side of the circle came into view. The farmers who earlier had had to struggle to supply the money needed for local public

improvements and social upkeep had now greatly improved their position. Instead of appealing for smaller farms with more dense settlement, they now appealed for a renewal of the preemption system on the ground that their farms were too small. The one-crop type of farming and extensive use of machinery made this larger scale system of farming possible. Moreover, many farmers now had sons whom they wish to settle on land near to them. For one reason or another the Act of 1908(e) renewed the operation of the preemption system, but with a certain attempt at securing actual settlement. Section 27 which dealt with this subject stated that "a person who obtains entry for a homestead under this Act and continues to own and reside upon the land included therein, and does not hold, or has not assigned his right to, or has not received patent for preemption under this or any previous Act, or has obtained entry for a homestead under the provisions of chapter 55 of the Revised Statutes, 1906, or any previous Act in that behalf, and continues to hold the land included therein and does not hold or has not assigned his right to, or has not received patent for preemption under this or any previous Act, may preempt any available quarter section lying alongside his homestead, or seperated therefrom by only a road allowance, and, upon the payment of a fee of $10.00 and upon -

(a) completing the requirements requisite to (a) obtaining letters patent for his homestead; (b) residing on his homestead

(e) Dominion Lands Act.

or the preemption for at least six months in each of the six years subsequent to the date of entry for his homestead; (c) cultivating, in addition to such cultivation as he may be required to make on his homestead, fifty acres on his homestead or on the preemption; and (d) paying for the preemption on the terms hereinafter set forth."

If he fulfilled these provisions the entrant was to be entitled to letters patent for such preemption. The price of the land preempted was to be $3.00 per acre, payable 1/3 on the expiration of three years from the date of the receipt of the preemption fee and the balance in 5 equal successive annual instalments, every instalment not paid upon due date to bear interest at the rate of 5% per annum until paid. Moreover, the preemptor if he wished could pay the full price and have the letters patent for the land issued thereupon, i.e. provided he had completed all the other preemption requirements. Further, if he had paid interest on the whole or any portion of the purchase money for the first three years from the date of the receipt of his preemption fee, or on any instalment or instalments for any period before any such instalment became due, the premptor could have any money so paid by him credited on account of the full amount of the purchase.

At the same time and with the same end in view provision was made for the acquisition of a "purchased homestead". This

"purchased homestead" was in the main identical with the pre-emption. Its area was the same. The conditions of settlement and payment were the same. The only difference lay in a difference of location. The land secured by pre-emption entry was located next to the regular homestead land. The "purchased homestead" was often situated some distance from the other homestead and the right of procuring a "purchased homestead" was given simply to extend pre-emption privileges to those would-be preemptors who could not obtain land adjacent to their homesteads and, therefore, were prevented from exercising the preemption right.

Except for slight and unimportant amendments made in 1914 the homestead regulations remained unaltered until 1918. In that year the privileges of preemption and of purchased homestead was abolished. This action was no doubt due to the situation brought about by the war. In response to perpetual urgings of a patriotic nature and goaded on by the spur of unlimited market for farm products at abnormal prices, many farmers in Western Canada had increased their land holdings. Now that the war was about over the Government in 1918 rightly anticipated a greatly increased demand for prairie land at inflated prices. It would not be to the Government's advantage financially to sell good prairie land for $3.00 an acre when railway companies and land speculators and private owners were receiving many times that price for land no more valuable. Moreover, the supply of good homestead and pre-

emption land near to transportation facilities was now well-nigh exhausted and it was thought that the future demand for land would absorb the more costly areas in private hands. To encourage, by continuing the preemption system, the cheap settlement of backward lands when one of the Government's greatest problems was to get settled the vast areas speculatively held idle would seem a reckless sort of progressiveness. And, in any case, due to the keen demand for land, it was not felt that the preemption bait would be necessary if indeed advisable in promoting land settlement. Coupled with these facts, was the urgent need of securing as many as possible single quarter sections of well-located homestead land for the purposes of the Soldier Settlement Act which at this time was in the embryonic stage. For one reason or another it was thought wise to discontinue the privilege of grating preemption or purchased homestead rights.

During the same Session changes in legislation were effected to apply equally to preemptors or purchased homesteaders. They provided "that on the completion of the requirements for obtaining letters patent for a preemption of for a purchased homestead other than the payment for the same in the manner aforesaid, (as provided in Act of 1908) an application for letters patent therefor may be made without immediately tendering payment in full, and in such a case the holder of the entry may, on application to the Minister, receive a certificate of recommendation

setting forth that if within the period of time during which such certificate is in force, payment is made in full of the purchased price of the preemption or purchased homestead, together with accrued interest, letters patent may issue in the name of the holder of the entry; and such certificate of recommendation shall entitle the holder of the entry during such period of time to mortgage, assign or transfer his interest in the land with respect to which the certificate is issued: Provided, that at the expiration of one year from the date of the issue of such certificate the same shall become null and void, but the operation of it may be extended at the discretion of the Minister." (a)

No other regulation relative to preemption and purchased homesteads have since been made except that in the 1919 Session of the Federal Parliament, it was seen fit to raise the rate of interest on instalments of the purchase price in arrears from 5 to 7% (per cent). Such a change was dictated by the prevailing condition of the money market. Apart from pre-emption regulations, there were several and perhaps temporary measures relating to general conditions of homesteaders passed during the war period. Some of these are worthy of special notice. For example, in 1915 an Order-In-Council granted relief from further cultivation or residence duties upon a homestead to any homesteader, or to his legal representative, who, because of illness, wounds or death, caused by active participation in the war was unable further to complete such duties. In every case the Minister was to direct the

(a) Dom. Statutes 1918, ch. 19, Section 10.

issue of letters patent for the homestead immediately upon the required facts being shown to his satisfaction. In addition to the above another Order-In-Council of October 1914 had ordered that the time of an entrant on active military service when enrolled in a force under the Canadian Militia, should be reckoned as residence spent on a homestead. This latter provision, however, applied only to Dominion Lands in the railway Belt of British Columbia although it was extended to homesteaders on all Dominion lands in 1918. The same homesteaders (Those of British Columbia) were further provided for by an Order-In-Council, 1916, which allowed them to count not only the time spent on active service but the first three months after discharge as residence upon their homesteads. An Order in 1917 extended the privileges of the Order of 1915 which by that Act applied to ordinary homesteaders only, to preemptors and purchased homesteaders. In the same year (1917) due to the scarcity of farm labor and smaller acreage being prepared for seed, an Order was passed by which the holders of homestead entries who were employed as farm laborers within Canada might be allowed theperiod of such employment as a like period of residence on their homesteads. In 1918 provision was made whereby homestead lands might be sold to any entrant prevented from completing homestead duties but who had an equitable claim.(a) Many other alterations were made in the Acts from time to time, but for the purpose of our study they are relatively unimportant and need not concern us. The foregoing, therefore, are

(a) Dom. Statutes, 1918, Chap. 19, Sec. 9.

the provisions made for land settlement by the free grant or homestead system up to the present. Their general results will be considered after an outline of the other methods of land disposal has been given.

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C H A P T E R III

LAND GRANTS TO RAILWAY COMPANIES.

The policy of granting Crown lands to railway companies has been followed extensively in Canada. The Dominion Government gave up that policy in 1894 but some of the provinces still pursue the idea. Up to 1912 some 56,052,055 acres (a) of Canada's land had thus been alloted, and certainly a very considerable acreage has been added since. Of this total some 32,864,074 acres had been granted by the Federal Government, 13,625,949 acres by the Province of Quebec, 8,119,221 by British Columbia, 1,647,772 acres by New Brunswick, 160,000 acres by Nova Scotia, and 635,039 acres by Ontario.(b) It is not proposed to analyse the weak or trong points of such a policy or the reasons for its adoption except to say that it has been followed generally because land was more abundant than actual cash, and because the Governments concerned were more anxious to extend transportation facilities than to retain their land till required for actual settlement. Several Railway Companies have received such land grants, but the Canadian Pacific Railway so far exceeds all other companies, both in areas granted and in the activities whereby those acres have been or may be disposed of, that attention will be largely confined here to that Company's activities. So extensive has been its

(a) Canada and its Provinces, Vol.10, page 468.
(b) Canada and its Provinces, Vol. 10, page 468.

scale ofmoperations and so prominent its degree of success that the smaller companies have necessarily had to follow its lead rather than embark on highly original land selling policies.

As subsidies for the construction of the Transcontinental line from Montreal to the Pacific Coast and of subsequent Branch lines the Canadian Government gave to the Canadian Pacific Railway Company in all some 34,683,110[a] acres of land situated in Western Canada, for the most part situated on either side of those lines. Of this total 25,000,000 acres were given in the first or original grant[b] in 1880 at which the Company also received $25,000,000 in cash together with a title to the uncompleted sections of the road. Now, although no agreement to that effect was made between the syndicate and the Government, there was an unwritten understanding that the company would dispose of its land just as soon as suitable terms could be made to ensure a ready sale with a fair measure of profit. Clearly the Company itself could make no effective use of the land, so it at once began to advertise its holdings and its selling terms with a view to attracting settlers. At that date the Company, while agreeing to take the land, was generally regarded as a reckless gamble and the Government was extolled for making such an excellent bargain. To-day the "worthless extent of land impossible of economic agricultural production" appears to have been a munificent gift. In other words the Canadian Pacific Railway gambled and won. And it won not only

(a) Recent (1923) article written and sent out by Company's official discussing land selling policy.
(b) Article in Monetary Times, May 1st, 1918, page 47.

because of the general rise in land value but because of its own active development and selling policies. What are or have been those policies?

As a matter of fact, when the first sale of land was made on September 1st, 1881, the price paid was $2.50 per acre with a rebate of $1.25 for every acre cultivated.(a) This was practically as cheap as the $1.00 per acre which the Government was charging at the time for ordinary land sales or for preemption land after settlement requirements had been satisfied. But at that time the Company was in even greater need of cash with which to complete building, than of traffic to feed its lines. It was not until after the line was completed (1885) and the full advantages to be derived from permanent farm settlement were realized by the Company, that a really definite land selling policy was framed to suit the farm purposes. The first general terms were one tenth cash and the balance in nine years with interest at 6%. The second general terms(b) were as follows.(c) The general period for the payment of the land extended over thirty years with interest at 6% on the amount unpaid. The first payment amounted to 1/10 of the total cost of the land. And the purchaser was not required to make any further payment on the principal sum until the end of the fourth year afterwards. Under these terms, however, the purchaser

(a) Statement made by Mr. Griffin, one time land commissioner of the C.P.R. in the course of a private interview.

(b) From 1923 article issued by the Company re its general land policies.

(c) Page 37 of Canadian Railway Booklet entitled "Prairie Provinces of Canada."

was expected to occupy and improve the property, by erecting a habitable house, a barn, by fencing his land, and by breaking a part of the land each year. If he complied with these settlement conditions a substantial deduction was made from the rate of interest at the end of the first and second years. After the first payment was made, therefore, the settler had very light interest payments only to meet at the end of the first two years; a full payment of 6% at the end of the third year, and at the end of the fourth and succeeding years one sixteenth of the principal and interest on the amount outstanding at the rate of 6% per annum. In the words of the Company's Official Statement, "the whole policy isnplanned to assist the man with small capital, and gives him a chance to get well started before he is called upon to make any of his heavier payments."

The above selling terms applied to most of the Campany's land, but exceptions were made in two special cases - first as regards land located in the Lloydminster and Battleford districts and second as regards lands of the Company's Irrigation Block in Southern Alberta. In the Lloydminster and Battleford districts, land could be bought without any settlement conditions, the terms being one tenth cash and the balance payable in nine annual instalments, with interest at 6% per annum. In the Irrigated area, due to the much higher value of the land, the Company decided to advance a $2000 loan in addition to the usual terms of sale. Since the land itself was more expensive, the money ordinarily used in building and improving on the land had to be used to meet

the original and later payments on the land. Hence the loan was given by way of compensation and it was provided that it should be expended to erect buildings, drill a well and fence the farm. The loan, however, was restricted to married men, who had to be practical farmers, possessing the necessary implements and horses to work the farm, or the money to buy them, and having sufficient capital to make their first payment on the land and the loan, in addition to being able to provide for themselves and their families during the first year. The repayment of the loan so advanced was to be extended over a period of twenty year, with interest at 6%, in the same manner as the payment of the land itself was made, and no security was asked other than the land together with the first payment on both land and loan made at the time of purchase.

It might be thought that the above terms were sufficiently adequate and generous to meet the needs of all deserving settlers. This, however, does not appear to have been the case. The best evidence of this is the fact that during 1923 the Canadian Pacific Railway Company decided to further facilitate its land selling terms. Probably such action was deemed necessary owing to the generally unprofitable nature of the farming industry at that time which has continued to the present, but, in all probability, it would not have been necessary had any reasonable satisfactory conditions prevailed for agriculture as a whole. At any rate, payments for land sold by the Company on the above-mentioned

terms were not being met and there was no immediate prospect of their being met. Hence, in order to benefit the farm buyers, as well as itself, the Company, in line with its general policy of arranging terms to suit conditions, emergency or otherwise, made a drastic change. This change was indicated in a statement(a) made public in Montreal, on May 11, 1923, by E. W. Beatty, President of the Company. The following is Mr. Beatty's announcement: "The Canadian Pacific Railway is at all times, accurately apprised of the tenor of the national mind because it is in itself, one of the largest land owners in the west; because, as a national organization, it is vitally interested in preserving prosperity throughout the Dominion, and because it knows from past experience that its acts have constituted precedents. It unfortunately knows that in the Western provinces increasing farm costs together with low prices obtainable for farm products have seriously affected those farmers not definitely and firmly established in their operations.

The Canadian Pacific Railway has always been the pioneer in providing favourable terms for the colonization of its lands in the West, particularly in connection with the terms under which their lands have been sold, in the preparation of ready-made farms, the advance of livestock to settlers, loans made to them and the aid granted through its agricultural and development departments. It is clear that the new plan will do much to establish confidence

(a) Monetary Times, May 22, 1923; also Grain Growers' Guide, May 23, 1923.

in the west, retain settlers who are now proposing to leave, and stimulate immensely the immigration of desirable agricultural colonists."

What then are the terms offered by this latest arrangement? Under this plan all that the settler pays down is 7% of the purchased price of the land. He will then have one year's free use of the land without any interest chargeable whatsoever, after which the balance of the principal will be amortized on an easy payment plan of 34 equal annual payments which makes the second payment fall due two years after the purchase of the land, which is figured on the basis of 7% of the balance of the cost of the land. At the end of 35 years the settler obtains clear title to the land, unless of course, he wishes to pay off sooner, which is his privilege. To show clearly how the above terms will operate, let us cite a hypothetical case. If a farmer buys a farm of 160 acres, costing, say, $3000, he will have to pay an initial cash payment of $210.00. The annual payments, starting at the end of the second year, will be $195.30. Unless he pays off the cost price sooner, at the end of 35 years he will get a clear title to the land. The rate of interest he will be charged being fixed at 6%, the above payment of principal and interest is an amount equal to 7% of the cost of his farm less the cash payment of $210. which he makes at the time of purchase. Thus, in no way, can any single payment of interest and principal conbined exceed 7% of the cost of the farm. The above selling terms apply not only to those who in future may

purchase land from the Company, but also to 30,000 farmers(a) who are at present paying instalments for lands purchased under the former selling terms. The indebtedness of those farmers who now have contracts with the Company will be taken over by the Canadian Pacific Railway and their contracts rewritten and the indebtedness spread over the 34 year period. These, who, under the old terms, were able to meet payments will now be further assisted, while those who have been previously unable to meet payments may possibly be able to do so now.

In addition to the foregoing policies and terms of sale, the Canadian Pacific Railway has another policy which is a sort of combination of lease and sale method(b); at least it is a lease given with a view to subsequent sale. This method, however, applies only to a certain definite area and type of land. The Company has land situated between Edmonton and Calgary which is listed as park land, having some brush and some clear land. On this land the Company is at present endeavoring to place practical farmers on a four-year lease basis, by which the farmer agrees to erect a house, and fence and plow not less than ten acres a year. No money rental is charged except that the farmer pays the taxes on the land. At the end of four years he can buy this land on the 34 year amortization plan already described. The price of land in this district is lower than that of the Company's other lands varying from $12 to $15 per acre.

(a) Article issued in 1923 by C.P.R. re its land selling policy.
(b) Described in letter obtained from Mr. E. Thornton, Supt. of colonization of the C.P.R. and written Jan. 29, 1924.

The several selling policies and terms already mentioned comprise the efforts of the Canadian Pacific Railway Colonization Branch to date. So far as the other railway companies are concerned it may be fairly said that none of them have offered anything like as fair selling terms nor endeavored to adapt their terms to suit the needs of the times as has the Canadian Pacific Railway. It might also be said that all of them have followed or been compelled to follow the general terms and prices of the larger company. As regards the Canadian Northern Railway Company no land has been granted directly by the Government to that Company, but it has received from the contractors for the late Manitoba Railway and Canal Company, the Winnipeg and Hidson Bay Railway, and the Manitoba and South-Western Railway a total of 4,002,848 acres.(a) The Canadian National Railway advertises for sale "850,000 acres in Manitoba and Saskatchewan, in well settled districts not too far from towns, mostly surrounded by good farmers, good roads, etc." (b) The prices of this land are said to range from $15 to $20 per acre, together with a survey fee of $10,00 per acre. The terms on which the land is offered vary somewhat to suit the purchaser. One set of terms states that the buyer must make a cash payment of $2.00 per acre, but interest and taxes only will be required on December 1st. 1924, and the balance in ten equal annual instalments with interest at the rate of 6% per annum. A second set states that if

(a) Monetary Times, Feb. 27, 1914, pages 436 and 441.
(b) Heaton's Annual 1924, p. 390.

the purchaser cannot make the initial payment, but has the necessary equipment to start farming, and immediately starts cultivating or erecting buildings, he may purchase by paying $50.00 cash per quarter section, first year at December 1st, taxes only; second year, December 1st, taxes and half the interest; 4th year, December 1st, $1.00 per acre, interest and taxes. The balance may then be paid in ten equal annual instalments with interest at 6%. Provision is also made that should the purchaser pay in full at any time, the interest will be discounted. The above terms, which are subject to change without notice, are more or less unique and are aimed to suit the present difficulties of meeting land payments.

The smaller railways have followed closely the Canadian Pacific Railway in their selling rates, the old terms being identical. For example, the Calgary and Edmonton Railway Company (a) which had a land grant of 1,900,000 acres of agricultural lands in Alberta, sold in 1894 on the terms of one tenth cash and the balance in nine equal yearly instalments, at 6% interest. The Qu'Appelle, Long Lake and Saskatchewan Railway Company (b) which had a grant of about 1,500,000 acres in Saskatchewan, also sold on these terms. In both cases the companies concerned followed precisely the terms of sale used by the Canadian Pacific Railway at that date.

(a) Year Book of Canada, 1894, page 114.
(b) Statistical Year Book of Canada, 1894, page 114.

CHAPTER IV.

INDIRECT SALE THROUGH LAND COMPANIES.

The same purpose that furthered extension of the homestead regulations viz: - rapid land settlement inspired the Canadian Government to try other or additional means of disposing of its land. One of these was the direct sale by special agreement to corporations on the condition that such corporations would place settlers on the lands so purchased from the Government. It was thought that the Government's rapid land settlement policy could be carried out more papidly and successfully by bodies organized for that special purpose than by entrusting the sale of land entirely to the Government. Hence the experiment of selling through land companies was tried, an experiment which has proved of extremely doubtful benefit.

The Macdonald Government in 1879 in an eadeavour to finance the construction of the Canadian Pacific Railway without overburdening the people of the country, resolved to set aside 100,000,000 acres of land to be sold at not less than $2.00 an acre, the proceeds of such sales to constitute the railway building fund. In July of that year the land for 110 miles on each side of the pro-

posed line was surveyed into belts 5, 15, 20 and 50 miles wide; the 5-mile belt was held for sale, but in each of the other belts 8 sections in every township were set aside for homesteads or preemptions. This arrangement lasted only until the following October when criticism led to the framing of other terms. All five belts were then opened to homesteads and preemptions in the prescribed townships. The next step in land disposal was the agreement in 1880 with the Canadian Pacific Railway whereby 25,000,000 acres of land and a cash subsidy of $25,000,000 went to the Company. It was easy to supply the 25,000,000 acres of land but where was the $25,000,000 to come from? To supply this amount as well as to direct further expenditure, the Government took a new step. By this step the alternate sections in a belt of 24 miles wide on each side of the Canadian Pacific Railway were to be reserved for the railway grant and for homesteads. Everywhere outside of this belt, the even-numbered sections were to be opened to homesteads and preemptions, and the odd-numbered sections to be held for sale. And it was in connection with this latter land that the land or colonization companies came into being. Special arrangements were made whereby such companies bought this land. The price they were required to pay the Government was $1.00 per acre but the sale conditions called for a certain degree of settlement.

This arrangement resulted in a regular mushroom growth of colonization companies, both small and large, and within a few

months application had been made for 7,000,000 acres. But the leaders of the companies evidently underrated the arduous nature of the work required in fulfilling the settlement conditions, and when in a short time the nature of such work became apparent, most of the companies disappeared. The speculative spirit was in most cases only too apparent and the high hopes held out for such a system of land disposal were largely dispelled.

During the era of land speculation in 1910, 1911 and 1912, another lot of companies purchased greater or smaller areas of land in the West, chiefly from the railway companies, however, and not from the Government. The selling policies of all those companies, both early and late, large or small, have on the whole been fairly uniform. It may be well, however, to consider those of a few of the larger companies as examples of the methods followed.

First, in point of extent of operation and definiteness of policy among the companies that may properly be styled land-selling organizations, is the Hudson Bay Company. It might seem perhaps, as if this Company should have received seperate treatment. But as it comes under the category of ordinary land companies, its operating methods and terms of sale may best be discussed under that head. It should be stated however, that the Hudson Bay Company received its land by a seperate and distinct agreement and was not subject in any way to the settling arrangements made between the Government and other land companies. By the agreement

of 1869 reached between the Canadian Government and the Hudson Bay Company, the Company was to receive a free grant of 1/20 of all the land which would be surveyed in the next thirty years (which period has since been extended) in an area known as the "fertile belt" comprising lands in all three of the prairie Provinces. Approximately 7,000,000 acres of land suitable for farming came into the possession of the Company under this agreement. How has the Company sought to dispose of this land? In the first place, a definite or fairly definite price has to be set upon the land. This is accomplished by having experienced field men make examinations and reports of the land and by carefully considering these reports a basis is formed for arriving at prices. Then, as to the terms of sale, doubtless a great variety has been offered; at the present time(a) however, the Company's general terms are one eight cash and the balance in 7 equal annual instalments bearing interest at 7%. In special cases, and in order to encourage bona fide settlers and development, the terms are modified, and when a purchaser undertakes to cultivate the land and farm it, modified terms are considered, each case being dealt with on its merits, and according to the need of the applicant. Of course, the Company is always prepared to sell land for cash, but it is only occasionally that such sales can be arranged. The above represents this Company's general terms. It might be

~~(a) Letter written by M. A. Brown, Manager of Kindersley Farm Lands, written March 7, 1924.~~

(a) From a letter received from the Land Commissioner of the Hudson Bay Company, written Dec. 10, 1923.

added that since 1910 the Company has reserved to itself all minerals underlaying its lands.

A somewhat different type of sale terms is illustrated by the practice of the Kindersley (Sask.) Farm Lands Ltd.(a) This Company which purchased its land in 1912 but which witheld it from sale until 1918, demands $3.00 an acre cash, and the balance by half-crop payments. Such payments, of course, will be many or few according as the price of the land is high and the crops heavy or light. This system of crop share payments, has become very popular by many land companies in the last few years, and originated in the war period.

These examples will serve to illustrate the terms of sale usually offered to farmer purchasers by the many land companies operating in Western Canada. We may turn next to the terms offered under another method of land disposal.

(a) Letter written by M. A. Brown, Manager of Kindersley Farm Lands, March 7, 1924.

CHAPTER V.

DIRECT SALE OF LAND BY GOVERNMENT

Under the above head two somewaht different methods of sale are followed. One is by private sale in which case each buyer applies separately and at any time to the Government land agent in the district in which the land is situated. This is the method followed in the case of all ordinary government land, and is also the method commonly employed where land passes from one individual to another. In all such cases there may be as many different selling arrangements as there are contracts made.

But there is a certain area known as "schoold land" the sale of which does not take place by private individual agreements at a definite previously known price and made at the instigation of the purchaser. When the Dominion Government took over control of the North'West Territories, it was deemed to part of wisdom to provide for the future educational needs of the provinces which would doubtless, sooner or later be formed as a development of those territories. To this end it was provided that "sections 11 and 29 in every surveyed township in Manitoba, Saskatchewan and Alberta, together with the gold and silver and other minerals contained therein" should be set apart as an endowment for purposes of education and should henceforth be known as school lands.

Such lands were to be withdrawn from the operation of the provisions of the Dominion Lands' Act which related to entry for homestead, purchased homestead, preemption or sale, and none of these rights were to be recognized in connection with such lands or any part of them. As to their disposal it is provided by the Dominion Lands'Act(a) that "all sales of school lands shall be by public auction and an upset price shall be fixed, from time to time, by the Governor in Council, but in no case shall such lands be put up at an upset price less than the fair value of corresponding unoccupied lands in the township in which they are situated." As to the terms of payment provision is made(b) that at least one tenth of the purchase price shall be paid in cash at the time of sale, and the balance in nine equal consecutive annual instalments with interest at the rate of 5% per annum, which interest shall be paid with each instalment on the balance thereof from time to time remaining unpaid. An amendment in 1918 (c) increased the rate of interest required on instalment payments from 5 to 6% and on instalments in arrear from 5 to 7%. The 7% rate, however, was not to apply to purchases made prior to April 1, 1918, unless the purchaser agreed thereto. An important departure from these general terms was made by an amendment in 1923(d) a change introduced no doubt because of the universal inability of past purchasers of these lands to make payments on the old terms. According to this

(a) Dominion Statutes 1908, Ch. 20, Sec. 40.
(b) Dominion Statutes 1908, Ch. 20 Sec. 41.
(c) Dominion Statutes 1918, Ch. 19, Sec. 15
(d) Dominion Statutes 1923, Ch. 44, Sec. 6.

amendment any person who purchases school land after January 1, 1923 must pay only one twentieth of the purchase price in cash and agree to pay the balance in 19 equal consecutive annual instalments with the same rate of interest as before.

All moneys realized from the sale of these school lands must be invested in Canadian Securities to form a school fund, and the interest arising therefrom, after deducting the cost of management must be paid annually to the Government of the Province within which such lands are situated, towards the support of schools organised and carried on in accordance with the provincial law; and the moneys so paid must be distributed as may seem desirable for that purpose by the said Government.

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CHAPTER VI.

COMPARISON OF VARIOUS METHODS OF LAND DISPOSAL.

Having noted the several ways in which Crown land in Canada has been or may be disposed of, our next step is to affect a comparative estimate of their respective values. We must try to discover what have been the strong and weak points of each and how far these strong and weak points have contributed to (1) the success orfailure of the method itself, (2) the rise or fall in the value of Canadian land and therefore its cost to the farmer. For this purpose it is probably as well that we should consider each method in the order of its presentation. First in that order then comes the homestead and preemption system. The principle guiding those who favored that system, first in the United States and later in Canada, was the firm belief in the rapid settlement of land on the single freehold plan. Since the Government had the land and since that land was valueless until either sold or cultivated, nothing was more natural than that it should be either sold or cultivated. But supposing the Government could have sold the whole area of land outright for a lump sum, could it thereby have received all that the land could produce in money value? Land anywhere is valueless until there is a demand for it for

purposed of cultivation. What makes land more valuable (at least in the productive sense) is added demand and this added demand is evinced always by increased settlement. Active settlement in turn is what produces the real productive value of land as distinct from and as well as its exchange value. In other words, it is the actual cultivator of the soil who must in the last resort find the funds with which to pay the price, and that the highest selling price of the land and he must obtain the amount out of the results of his labor in tilling the land. If he does not or cannot he has made a poor business investment. From this it should be clear that the greatest individual and therefore national wealth could be received only if the land was productively settled. So that in so far as homestead system was destined to produce permanent land settlement it must be regarded as a laudable method of land disposal.

Second and following from this first point there was the fact that those who actually received a patent with a view to continuing in active farming were almost certain to be men of the best calibre. The earlier homesteaders were faced with many difficulties. They had local problems, financial as well as social to solve due to sparseness of population and to the backward conditions always existent in a new country. Such problems called for initiative, perseverance, magnanimity and neighborliness. The elements of co-operation movements were essential here. Such an organisation as the United Grain Growers' stands today a fitting movement to the

work of pioneer homesteaders, of whom the present Minister of Agriculture may be taken as a good example.

A third reason for adopting the homestead system was the cheap means of procuring land which it provided. The homestead system is often spoken of as a system of free grants. Such words do not convey the real truth. To begin with there was the $10.00 entry fee. Land secured by the homestead system was free in the sense that no money (except this $10.00) was paid out directly for the actual land itself. But, in reality, that land cost a great deal. To fulfil the required residence and cultivation duties in a backward and remote part of the country was no enviable task. It was rather a great physical and social sacrifice. Hardship and loneliness were the rule, not the exception. Moreover to build the necessary dwelling, fence the land and break the required acreage meant a money outlay which to settler with little capital was very considerable. But, at the same time, all such outlays have to be made in any farming venture and the homestead regulations, by requiring the settlers to make their stock and equipment outlays themselves, thereby made them partners in the venture. Had he not been required to have something of his own at stake, he would have felt that he had nothing to lose and probably in many cases where he succeeded he would have failed through lack of self help. The system was thus good in that it aimed to help the settler to help himself.

Finally, the homestead system especially combined with the preemption system may be regarded as a progressive purchase method. The man who made a preemption entry along with his homestead entry knew that at the end of three years he would have to pay the current Government price for his preempted land. But he had three full years' free use of that land during which time he could derive monetary returns from its cultivation. Being unhampered by interest or principal payments he could naturally be expected to be fairly well prepared to meet the cost price of his preempted land at the end of the three years. Thus we may say that the system provided an exceptional opportunity for the man with small capital but who was willing to work.

On the other hand, a careful consideration of the homestead system must reveal positive defects or loopholes. First of all there was no assurance that all homesteaders would become permanent settlers. All that was demanded was the bare fulfillment of the regulations. Once this was done and a patent secured, no law could dictate to the new owner how his land should be used or whether it should be used at all. It was his to deal with it as he saw fit. Here, it seems, was a real weakness in the regulations. Some measures should have been taken whereby the continued active settlement would be assured; either a more careful selection of the settler at the time of entry or a provision to the effect that should a homesteader after receiving his patent cease to operate his farm for a certain number of years without good cause, it would

revert to the Crown. It was often easy for a person of speculative nature to employ an agent to fulfill the bare settlement duties - put a miserable shack and scratch over a few idle acres. Once this was done the owner could sit in his easy chair and hope for the "something for nothing" to come. In far too many cases this was done, and the rights obtained for second entry, when in force, gave a double opportunity for speculation of this sort.

An additional weak link in the homestead policy was the tendency to produce "all at once" a settlement without capital, a "nation of paupers" if youwill. Such an effort possibly doubly if the homestead system had been used exclusively. In can fairly be said that a large amount of available capital is an absolute necessity in any community.

Thus, on behalf of the policy it may be said that it aimed somewhat to build up communities of actual settlers and to produce contentment of the many comparatively small owners rather than to satisfy the greed of a few who might already be too rich. But, against the policy one may say that it failed in many cases to work out as its farmers and sponsors hoped. Its success or failure largely depended on the character of the personnel making use of it, i.e. whether speculation or settlement was the motive and result. Speculation was a great evil result of the system since it worked against the interest of the real farmer as well as of the State. So far as a class of "occupiers" rather than "cultivators"

resulted just so far as the land remained unimproved and unproductive. At the same time all land secured under the system as now passed into private hands and these persons, and not the Government, now name the price which those who desire to farm must pay for it.

Turning now to consideration of the policy of granting land subsidies to railways, what may be said for or against that method of land disposal? The thing to bear in mind when considering railway companies is that they are primarily transportation concerns and not land companies as such. Herein lies the great distinction between railway companies and land companies proper. The latter's one and only interest lies in the disposition of their land holdings at the highest possible price. Land is their one great asset, the one commodity in which they intend to deal. Once that land is sold and paid for, all interest of the land companies in its future use lapses. Not so with railway companies. They are primarily interested in procuring profitable and permanent traffic in the region of their lines. It is to their immediate interest to have those lands through which their lines pass densely and productively settled. In this connection the Canadian Pacific Railway has estimated that a well established farmer on a quarter section in Western Canada is worth on the average $750.00 to the Company (a) This is so because every new settler means bigger crops and hence more freight and passenger traffic to the railway. Therefore, it

(a) Canadian Pacific Railway's handbook of importance, The Prairie Provinces of Canada, issued in 1922, by its department of colonization and development.

is natural to expect that every effort would be made to get more settlers of the character that make for the substantial and wholesome development of the country. Probably, on the whole, this expectattion has proved correct. It cannot be doubted that the interest of railway companies in the type of settler as well as the numbers settled has been great owing to the profitable reflex tendency just mentioned.. But probably that very interest has in many cases resulted in over-zealousness. In a determined effort to receive settlers on their land, the Canadian Pacific Railway and other Railway Companies have in many cases chosen to sell land in large block to colonization companies trusting that they, being land companies only, would be better able to effect settlement. The speculative element which has been less apparent for the most part on the part of railway companies at least in so far as they desired rapid settlement, has played a large part in the policies of the land companies. These latter have desired to sell their lands, but they have been quite willing to wait until the land itself rises in value owing to settlements activities of others. So long as confiscatory taxes were not required it cost them nothing to allow the land to lie idle; and when they did decide to sell, business principles, as they saw them, could not discern between a customer who was a bona fide settler and one who had in view the same speculative tendency as the company itself. Thus it would seem that disposition of land through railway companies is right in

principle, though it may in many instances result badly in practice. Land disposal by a company that seeks profit from settlement rather than profit from a rise in land values should furnish greater benefits to the farmer buyer. But when such companies (Railway Companies) chooses to sub-let the selling rights to companies interested in private gains which can result only from a rise in land values, it is easy to see that the stabilizing effect on land prices was lessened. If Canadian Railway Companies could have been prevented from so subletting to others, the present high prices of land in desirable parts of the West would have been much less evident. At the same time, while discounting and stabilizing effect that <u>might</u> have been possible, it cannot be doubted that the fact of large holdings of Western Canadian agricultural lands having been in the hands of private corporations, the affairs of which have been directed by intelligent, calculating disinterested men, who saw a clear relation between their own interests and those of the country, has had a very valuable effect in the stabilization and regulation of land prices. This may be the more clearly realized when the real estate booms several times severe in the case of urban property are contrasted with the comparative evenness in the rise of values of farm property. (A notable exception to this evenness - that of the land inflation of 1918-19 will be noted later). It is not to be inferred that railway companies have been inclined to <u>give away</u> their land, quite the contrary. But owing to their "long-look-ahead" policy

of future profit from railway traffic, they have been more inclined to place reasonable value on their land. And the fact that they (particularly the Canadian Pacific Railway) held such large amounts of land has served as a balance, a moderating influence in setting land values. A company acting on the scale of the Canadian Pacific Railway was too big and active a competition for any other company or individual to hope to eliminate, and from its precedents as to values there could be no serious departure. How far this competitetive influence is now removed by the fact that railway companies have largely disposed of their land grants, and how far this fact has resulted in the recent and present high values of land in Western Canada is an important question but one which probably cannot be determined accurately. It cannot be denied, however, that railway companies as well as other land vendors took full advantage of the excessive demand for land during the later years of the war and the years immediately following. This is evinced by the current press reports telling of the difficulties encountered by settlers who purchased land from railway companies during those years, particularly land in irrigated regions.

The chief objection to ordinary land companies has already been noted in the foregoing comparison of railway and land companies. It was seen that land companies have no urgent call to settle their lands as have the railway companies. On the other hand, land held by such companies may be kept idle and undeveloped

for indefinite periods and, doubtless, would be if land values showed any marked tendency to rise. Such a policy of "watchful waiting" on the part of land speculators in general, land companies included, has been very evident, in recent Canadian history. For this reason then the indifference to rapid disposal - as well as the fact that such companies are usually operating on a fairly small scale, there is less likelihood of their originating new selling policies which are especially suited to needs of farmer buyers with little capital. To them it is not so much a question of how the buyer manages to get the money necessary to pay for the land as it is of whether he has that price and is willing to pay it. They do not cater particularly to the farmer as distinct from the land buyer. In so far, however, as the final buyer must be a farmer, they must find terms to suit his case as early as possible. But this is a last resort. Such land companies have definite selling terms only because other land selling agencies, including the Government, have similar fixed terms and because experience has taught them that farmers require good selling terms as an inducement to buy. But we find no evidence to show that land companies in Canada have pioneered the way in providing specially attractive selling terms. That important work has been performed by the Canadian Pacific Railway and by the Government.

But what, may we ask, is a necessity for special selling terms? The answer is that farming requires a very large initial capital investment, of which the investment in land accounts for

a great part, and that part obviously becomes larger as the value of the land rises. Farming, moreover, is an industry in which the profits, if any, are secured on a very narrow margin. For this reason it takes a long time for a sum of money large enough to purchase a farm to accumulate. Taking these two facts into consideration and remembering that the farm purchaser is in nine cases out of ten a man possessed of little previous capital, it should not be difficult to understand why special land purchasing terms should be provided for him. If he ~~requires~~ a debt spread over a long term of years it is clear that the amount of interest he must pay will be vastly greater than if he were a borrower in industry where a loan could be repaid in a comparatively short time. This extra interest constitutes a burden peculiar to agriculture. For this reason it is essential that the farmers' interest rate should be low, lower than that of other borrowers if possible. Then again it must be remembered that in addition to the influence of market supply and demand, which is a common factor in all industries in determining the exchange value of commodities produced, agriculture is alone among industries in that it is subjected to climatic changes over which its operators have (as yet) little or no control. Plagues, frosts, hail, wind, drought, excessive rainfall, cold, heat, are each and all capable of "making or breaking" the farmer. This dependence on the elements exercises a direct effect on the ability of the farmer to meet payments of both principal and interest.

Listing briefly the various ways in which a farm buyer may secure the capital to pay for his farm, we find the following:

(1) He may first earn enough money to pay the full cost of the farm by working as an employee in any industry, including farming itself.

(2) He may inherit the necessary purchasing price.

(3) He may buy a farm on the rental plan, i.e. he may rent a farm with stock and implements, etc, or otherwise, for a number of years. During these years, if the business proves profitable, he may be able to save some money which at the end of the rental period, he may use to make the initial payment in buying the farm.

(4) He may borrow the entire amount of money necessary to pay for the farm.

(5) He may combine methods (1) and (4), i.E. earn some of the money and borrow the balance. This latter method is by far the most common in Canada.

Now it is conceivable that plan number 1 could often be followed if the land were cheap. In fact this was doubtless the method usually employed in buying Dominion Government land years ago when it sold at $1.00 or even $3.00 an acre, also paying for preempted land at the same prices. But when the total cost of an ordinary 100-acre farm rises to $4000 or $5000 it is not possible for extensive use to be made of this method. To earn and save $5000

as a farm laborer, for example, would require from fifteen to twenty years, obviously too long a period. Plan number 2 may be said to be so unimportant in Canada as to be disminded from our consideration. It applies only in cases where farming is undertaken more as a pleasant pastime than as a necessity, and, in any case, the needs of those able to use it are not great enough to demand any (immediate) solution. Plan number 3 seems good in principle but owing to the intense and deeply ingrained love of independent land ownership in Canada, it has so far been seldom found. Where used, however, the results seem fairly satisfactory, and it is possible, although not highly probable, that the future will see a more wide-spread use made of it. Plan number 4 is conceivable only on paper. It eliminated the grinding factor in all business investments viz: that of necessity. It is true that in old settled communities where farms are bequeathed from generation to generation and where emigration is relatively non-existent, a farmer who wishes to retire will sell his farm to a neighbor without demanding any appreciable cash payment. Such instances, are, however, rare - the exception to the general rule. By far the larger proportion of farms must be purchased as suggested by plan number 5 above. As a rule the question is how much capital must the farm buyer have to pay down, and what terms will be offered him on the balance of the purchase price. It is with this question of credit in farm purchasing, including as it does the lesser questions regarding interest rates, term of loans, percentage of security

demanded, etc., that we shall be briefly interested from now on in the present study.

Where is the farmer going to borrow this money or what agency is going to lend to him and on what terms? It may at first thought appear that land companies, railway corporations, government land selling agents, and private vendors of land are in no way connected with this problem of borrowing and that therefore, all the above discussion has been beside the mark. The lender of the money may be a specially organized loaning company, a private individual, or the Government. Again there is no reason why the land vendor might not also be the lender equally with the third party. The only difference between a loan given a buyer by the seller of the land and that given by a third party is that a single rather than a double contract is made, and that the land vendor who loans does so in order that he himself may be accommodated rather than the buyer. If one man sells a farm to a second and a third loans the money to the second to pay the first, two contracts are made. First there is a land deal between the first and second man in which the second pays over to the first the money received from the third, and, second, there is a money loaning transaction betwee the second and third in which the third loans money to the second on condition that he return it along with a definite amount of interest and at a definite future time. But if a man who sells a farm agrees to give the faim on terms other than all cash (as is usually the case) then he, in reality, is making the buyer a loan.

He is loaning him the free use of and a title to the farm on condition that he pay him more in the future than would be demanded at the present. In other words, the interest charged on the payments of the purchase price which are spread over a number of years, is the rate of discount charged by the seller of the land for the title and use of it in the meantime. But it is immaterial to the buyer whether he repays the amount of the loan with interest to the land seller or to some other agency.

Since, then, the actual land vendor may make the loan which will have the same effect on the buyer as that made by an outside party, the only question remaining to be considered is whether or not he can make it as advantageously or more so than this third party agency. The point already mentioned:- that only one contract is necessary in the case of the terms being offered by the land vendor, would seem to suggest one point in favor of this method, namely, that it would mean less legal expenses. This, however, is a comparatively minor matter. The fact that in many cases a better knowledge of the buyer's ability to pay and his moral security is more apt to be had by the vendor than an outside party is an argument in its favor, of much greater significance. The fact that vendors of land usually have special reasons for wanting to sell seems a third reason for considering them well suited to offer satisfactory terms of sale. This applies particularly when the vendor happens to be a railway company, the Government, or a farmer wishing to retire. To determine how well qualified vendors of land are to arrange terms of sale to

suit the ordinary farmer it is necessary to examine the already-described selling policies of such vendors more critically.

We saw that the present general sale terms of the Hudson Bay Company was 1/8 cash and the balance in seven equal annual instalments bearing interest at 7%. To see how these terms would suit the average farmer, let us consider an average case. Suppose the farmer buys 160 acres at $17.50 per acre, which was the average price charged by the Company in 1919[a] (and the present price is much the same). The cost price of the 160 acres, even allowing that the buyer had the full amount to pay down which he very probably would not have, would be $2800. One eighth of this would mean an initial payment of $350. Each of the other seven payments would be $350. plus interest on the amount still unpaid. Now, $350 constitutes a fair average rent for a good improved 100-acre farm in the more settled and developed parts of Canada. At the present time such farms can be rented with stock and implements for this amount or less in some cases. What inducement, therefore, is there for a would-be farmer to buy undeveloped and unbroken prairie land, far from civilization, with neither improvement nor equipment? Unless he can find capital to buy stock and machinery, no return will ensue from such raw land during the first year at least. But no provision is made in the above general terms for any inability of the purchaser to meet the first of the last seven payments. There is not even any allowance made whereby he may not have to pay the first year's interest. As a

(a) Monetary Times, August 1, 1919, page 14.

general rule it will take at least the first seven or eight years for this farmer to get buildings erected, to get a few cattle and hens and horses, to get some fences built, and to buy the necessary machinery. Under present conditions, of course, he could not hope to approach this result. But to ask him to pay for the land in addition to getting thus settled is to demand the impossible.

The terms offered by most land companies - one tenth cash and the balance in nine equal annual instalments are somewhat more lenient than those of the Hudson Bay Company, but are far too antiquated to suit the conditions created by the present high land values. The Government terms used in selling school lands(a) were the same as the above and the same criticism is due them. The best evidence of their unsuitability lies in the fact that they were altered in 1923 so that the buyer now has to pay down not one-tenth but one-twentieth of the purchase price and has nineteen instead of nine years in which to pay the balance. In this case as in that of the Canadian Pacific Railway, necessity proved to be the mother of invention. This change made in the selling terms of the school lands made those terms almost the same as the ones used by the Canadian Pacific Railway for some years past, but the surest sign that even those changes are inadequate is the rather strange coincidence that at almost the same time that the Federal Parliament saw fit to effect this change, the Canadian Pacific Railway saw fit to make a radical change in its terms. The Government, therefore, in its land selling terms has so far legged one step behind the Canadian Pacific Railway but on the sale trail. After

(a) Dom. Stat. 1908, Ch. 20, Sec. 40.

that Company had used 20-year payment system for some years the Government adopted it, but at the same time the Canadian Pacific Railway adopted a 34-year payment policy.(a)

After all probably the best indication of the suitability or otherwise on any land selling policy is the degree of success it has achieved. This can be best measures by the number of people who have taken contracts under it and further by the extent to which those who have contracted have been able to live up to the terms laid down. Another measure also of the practicability of any such policy or set of terms is the degree or extent to which persons or agencies dictating them have found it necessary to vary these policies or terms in their actual working out. What, then are some of the results so far achieved by the several methods of Dominion land disposal? The land area of which the Dominion has had the disposal comprises or have once comprised the three prairie provinces, a belt 20 miles on either side of the main line of the Canadian Pacific Railway in British Columbia known as the Dominion Railway Belt of British Columbia, and a block in Northern British Columbia known as the Peace River Block and containing 3,500,000 acres. The results experienced in so broad a field should be sufficient to give a fair indication of the various policies followed. According to ~~this~~ figures supplied by the Department of the Interior (b) out of a total of 200,280,209 acres surveyed, 123,628,182 acres had been alienated from the Crown up to the end of the statistical year 1921.

(b) Canada Year Book, 1921, page 777.

The land surveyed in the three prairie provinces was at that time distributed as follows:[a] 54,113,900 acres as regular homestead land; 8,182,500 acres as pre-emption and purchased homestead land; 8,652,300 acres as half-breed script, sales, special grants, etc.; 31,864,074 acres of land granted to railway companies; 6,555,500 acres granted to the Hundson Bay Company; 9,324,100 acres set apart for school endowment purposes; 1,057,682 acres to be sold under the irrigation system. Of the 54,113,900 acres of ordinary homestead land, some 28,464,100 acres had then been entered upon, leaving only 25,649,800 acres available for entry on January 1, 1921. In other words, between 50 and 60 per cent of the land offered for ordinary homestead purposes had been taken up. Of the approximate 7,000,000 acres which were then granted and have since accrued to the Hudson's Bay Company, approximately 4,000,000 acres[b] have been disposed of. Of the 34 odd million granted to the Canadian Pacific Railway almost 30,000,000 acres have been disposed of to date.[c] The Canadian National Railway has still 850,000 acres[d] of the 4,002,848 acres that it received from other railway companies. The area of school lands surveyed in Saskatchewan to January 1st, 1923 was 3,942,000 acres, of which are 1,500,000 acres or approximately three-eights had been sold at an average figure of $17.50 per acre.[e]

(a) All figures taken from Canada Year Book, page 777.
(b) Hudson Bay Company'sLand Commissbner's letter, dated Dec. 10, 1923.
(c) Recent article on Canadian P. Railway's land selling policy issued by the Company.
(d) Heaton's Annual, 1924.
(e) Pamphlet called "Province of Saskatchewan" issued by Dept. of Interior, Ottawa, 1923.

The above figures show first, that school land sales have been slowest, Hudson Bay Company's sales somewhat more rapid, homestead entries about equal to the Hudson Bay Company's sales, but that railway company sales have far surpassed those of any other agency. In connection with homestead entries it is well to remember that most of the best homestead areas were taken up prior to the active demand for land which arose in 1918 and 1919. The number of entries by years from 1874 to 1921 are shown in the following table.(a)

YEAR	NO. OF ENTRIES	NO. OF PREEMPTIONS.
1874	1376	643
1875	499	391
1876	347	263
1877	845	594
1878	1788	1580
1879	4068	1729
1880	2074	1004
1881	2753	1649
1882	7483	5654
1883	6063	4120
1884	3753	2762
1885	1858	653
1886	2657	1046
1887	2036	585
1888	2655	454
1889	4416	355
1890	2955	371
1891	3523	
1892	4840	
1893	4067	
1894	3209	
21 yrs.	63,265 entries	

(a) Figures from 1874 to 1894 inclusive from Statistical Year Book, 1894. Figures from 1898 to 1921 from Canada Year Book 1921, page 782.

YEARS	ENTRIES	YEARS	ENTRIES
1898	4848	1910	41568
1899	6689	1911	44479
1900	7426	1912	39151
1901	8167	1913	33699
1902	14673	1914	31822
1903	31383	1915	24088
1904	26073	1916	17030
1905	30819	1917	11199
1906	41869	1918	8319
1907	21647	1919	4227
1908	30424	1920	6732
1909	39081	1921	3784

The figures indicate a gradually decreasing number of entries as the war years progressed, but that advantage was taken of the homestead system in the earlier war years. They also indicate the absence of the speculative tendency followed by many land speculators who although they had purchased their holdings prior to the war, witheld them from sale until the higher prices of 1918 and 1919. Insofar as the homestead system allowed western farmers to secure and use land during the war when food prices were high, it cannot be blamed for post-war low price difficulties of farmers in meeting land payments. On the other hand, insofar as land sales were witheld until the era of inflated land values and almost the beginning of deflated crop prices, they must be blamed for the present inability of land buyers to meet payments. So far as the sale of school land in Saskatchewan herein noted is concerned, the average price stated, viz: $17.50 per acre, indicates that most of the land was disposed of in fairly recent times.

The following table shows the land sales made by the various railway companies and by the Hudson Bay Company during the war

and the first three years after the war.

LAND SALES BY RAILWAY COMPANIES AND HUDSON BAY CO. IN 1915-17

Company	1915		1916		1917	
	Acres	Amount	Acres	Amount	Acres	Amount
		$		$		$
Hudson Bay Co.	16,400	306,550	79,310	1,273,144	25494	14234244
Can Pac Ry.	151,262	2,496,872	242,215	3,670,421	405764	6612040
Manitoba S.W.Col. Ry. Co.	489	5,508	4,780	58,808	12470	165245
Qu'Appelle, Long Lake & Sask. Ry. & Steamboat Co.	1,292	19,118	12,246	180,361	26533	331596
Calgary & Edmonton Ry.	23,042	444,018	11,689	172,633	33821	273875
Great Northwest Central Ry. Co.	316	6,965	4,646	81,182	8829	141439

LAND SALES BY RAILWAY COMPANIES HAVING GOVERNMENT LAND GRANTS

and by the Hudson Bay Company in the fiscal years 1919, 1920, 1921.

Company	1919		1920		1921	
	Acres	Amount	Acres	Amount	Acres	Amount
		$		$		$
Hudson Bay Co.	285,561	4,978,950	276,629	4,724,941	128301	3037349
C. P. R. R. Co.	602,555	10,580,669	511,511	11,356,146	275636	5898994
Manitoba S.W. Col. Ry.	5,289	67,214	4,623	56,760	1518	20058
Qu'Appelle, Long Lake & Sask. Ry. & Steamboat Co.	33,838	527,670	32,095	474,895	11432	160472
Calgary & Edmonton Ry. Co.	31,774	479,496	269,53	425,656	11681	191928
Can. Nat. Rys.	65,110	1,261,963	86,305	1,685,241	69934	1455319
Great North West Central Ry. Co.	11,530	252,774	27,981	464,586	5128	96916

If the above table is compared with that showing the yearly homestead entries, one or two striking facts appear. Comparing both tables for the years 1915, 1916 and 1917, we notice that for the year 1915 the number of homestead entries is in round numbers 24,000 and that the number for 1917 has fallen to 11,000. For the year 1915 the above table shows that the number of acres sold by all the Railway Companies plus the Hudson Bay Company was 192,000, whereas in 1917 it had increased to 755,000 acres. In other words, the tendency during those years was for the number of homestead entries to decline rapidly and for the number of land purchases from the companies to increase rapidly. The figures for 1919 are even more convincing in this regard, the number of entries being 4,227 and the lands sold by the Companies 1,038,657 acres. There probably were several factors responsible for this tendency. For one thing most of those taking up land during the war were people already settled on land to which they had a clear title. Immigration was practically at a standstill. What immigrants did come were largely United States farmers possessed of considerable capital. These preferred to buy the better situated lands held by land speculators or Railway companies to going further back from transportation and civilization as was then largely necessary for those choosing to homestead. The well situated homestead were rapidly taken up by both United States immigrants settlers and already established farmers. The homestead rights, of the most of the latter had been already exhausted. Even though suitable quarter sections lay adjacent to or near their farms they could not make a second or third

homestead entry in order to secure them. Hence they had to buy. And since they were settled in the good districts where the Railway companies and the many large and small land speculators held land, it was natural that it was from these agencies that additional lands had to be purchased. Why did these old well established homesteaders buy this extra land? The answer to this question is also the explanation of the greatly increased amount of land sales during this period. The Canadian Pacific Railway, Hudson Bay Company, Land companies and private land speculators sold more land from 1915 to 1919 inclusive, not because they carried on a more active selling or advertising propaganda, not because they sold at lower prices, not because they offered easier terms of payment, but because there was a great, abnormal and unforseen demand. But why this demand? It is a fact that much of the demand for more land which appeared in 1915, 1916 and 1917 and 1918 had long existed, but not at the prevailing prices of land. Many established farmers had long been waiting to add to their holdings by buying in adjoining lands. It was not until these years, however, that the price of farm products justified the necessary expenditure so that the demand or desire could be satisfied. That demand came cheaply, however, as a result of the war and it increased in tendency as the war advanced. So long as the war lasted there was bound to be millions of men not only kept out of the food producing class but called in to swell the already large consuming body. As the possibility of a food shortage loomed on one horizon and a labor shortage on another, ways and means had to be sought to produce the greatest number of food

units with the least possible physical exertion. These ways and means as far as Canada was concerned turned in the direction of cereal production, particularly wheat growing. Canada had already made a world reputation as a wheat producer. She was still a country of few people and much fertile idle land. It would seem that the logical part for her to play was to grow more wheat. But to produce more wheat required either more land or more labor or both. It was useless to talk about employing more labor because what remained in the country was rapidly going out and what was going out was being kept out. More settlers on a smaller or even average acreage was out of the question. So it was that the alternative was adopted - the cultivation of more acres per man rather than more men per acre or more men for more acres. The next question was how were the farmers to get more land. As the figures quoted show, the earliest requirements were satisfied as far as possible by the exercising of homestead and preemption rights. But gradually both rights of each farmer to make his homestead entry and the supply of land available for such entry located near to their former land became exhausted. When such a condition arose there was only one thing to do and that was to buy the land. So that, as time went on, less land was obtained by homestead and more by direct purchase.

Why, we may ask, did these farmers and the Americans who came into the country not buy all their lands from the Government? Government land was surely much less expensive. There were several partiall yet related reasons. As already mentioned, those possessing land which they had spent years to improve and equip would not care to

move, and even if they would, it is clear that to operate one farm ten or fifteen miles from another would be physically as well as economically impossible. Secondly, these established farmers had settled in parts of the country best served by transportation systems. They knew from experience that wheat growing could not be profitably carried on if the product had to be hauled a long distance to the elevator. Products of mixed farming, such as butter, cheese, eggs, or pork were valuable in proportion to their bulk and could be economically carried a long distance to a railway station but it was wheat and not butter or eggs that the "Allies" were calling for. For this reason the land to be purchased had to be close to transportation facilities. Third, the matter of price was not very seriously considered. So long as $2.50 or $3.00 wheat was a perfectly secured thing, $30, $40, $50 or even $70 land was a secondary consideration. Patriotic appeals too were the best sort of propaganda that land vendors could have wished. Farmers were urged to throw personal consideration to the winds in order that "the world might be kept safe for democracy". Business principles in too many cases were sacrificed to meet sentimental desires. The awful present world situation and the vivid portrayals of the possible future led men to say that no costs were too great if only the game could be won. Least of all should material costs such as "few extra dollars per acre" be considered. These were the reasons why more land was not purchased from the Government. Such land as the Government possessed which satisfied the geographical requirements of the buyers and the need of the hour was purchased. All t

rest was sought from others. Just how much was so sought and on what terms it was sold are the questions which we are intimately concerned. Of the 25,000,000 acres granted originally by the Dominion to the Canadian Pacific Railway in 1880 there were 11,000,000 acres still unsold in May 1918.(a) The average selling price of the 14,000,000 acres that had been sold was $6.72 per acre. In addition to this, a considerable amount of the acreage sold prior to that date was sold in large blocks to other land selling agencies. For example, 2,200,000 acres were sold to the Canada North-West Company in 1893.(b) It was not until 1913 that the Canadian Pacific Railway adopted the policy of selling its land to the settler only, making all transfers subject to the settlement conditions.(c) This policy was dictated by the fact that the large purchasers of the companies' lands to that date had failed to adopt active settlement and resale policies. The Canadian Pacific Railway made the discovery that its desire for early settlements and the desire of land companies for high if delayed land values were diametrically opposed. To show clearly how rapid was the Canadian Pacific Railway's disposal of land during 1918, we may note that in April, 1920 the Company announced that it held land to the amount of 5,804,852 acres, which it valued at $95,211,438.(d) Thus in the two years from May 1918 to April 1920 the company had disposed of half of its remaining land, i.e. the difference between 11,000,000 and 5,804,852 acres. A difference in the land values may be realized if a comparison is made between the 14 million

(foot notes on next page)

acres of this original grant which the Canadian Pacific Railway disposed of prior to May 1918, for the gross sum of $94,000,000 or an average of $6.72 an acre, and the 5,804,852 acres which it held in April 1920, valued at the gross sum of $95,211,438, or an average of $16.40 per acre. It may be suggested that much of this rise was due to the great expense incurred in the Company's irrigation projects if we were to exclude the irrigated lands the average price per acre would be greatly reduced. But even allowing for this just cause of increase land values, the value of the Company's land is much higher than in early years despite the fact that probably the best land was disposed of at lower rate. This is clearly the case as evidenced by the Company's own annual report for the year 1920.(e) The report stated that in 1920, 468,390 acres of agricultural land have been disposed of for the total amount of $9,592,706.95 or an average of $20.48 per acre. Included in this area were 47,848 acres of irrigated land which brought $50.42 per acre so that the average price of the balance was $17.00 per acre. On the matter of collections it may be said that they had varied, largely as boom or depression periods have appeared or as crop failures have existed or as the Company have altered its policy of settling new districts. The following table shows(f) the receipts received on land sale account by years up to 1921.

(a) Monetary Times, March 3, 1918, page 41.
(b) Statement made by Mr. Sykes, Sec. of the Canada North West Land Company in an interview.
(c) Monetary Times, July 31, 1914, page 57.
(d) Annual Report of C.P.R. for 1920, April 9, 1920, Page 50
(e) " " " 1920
(f) Compiled from C.P.R. Reports. Also in Dr. Innis' book on history of C.P.R., chapter on land sales.

LAND RECEIPTS, CANADIAN PACIFIC RAILWAY

1889 - 1921

1889		$ 31,183 .52
1890		33,541.85
1891		14,018.18
1892		105,788.80
1893		65,064.88
1894		68,860.40
1895		20,317.18
1896		216,941.62
1897		217,081.29
1898		233,598.11
1899		400,608.25
1900	(18 months)	667,128.11
1902		1,569,901.48
1903		2,908,028.55
1904		2,703,053.21
1905		3,302,758.98
1906		5,168,501.63
1907		8,316,335.43
1908		5,701,854.20
1909		4,192,129.62
1910		6,106,488.15
1911		877,616.73
1912		927,136.11
1913		5,795,977.60
1914		1,129,177.08
1915		374,550.16
1916		3,106,382.51
1916	(6 months)	1,547,080.19
1917		6,588,740.40
1918		5,834,054.65
1919		4,654,512.43
1920		3,852,376.77
1921		1,979,480.89

The figures indicate that the ability to meet payments was less in the depression period of the early 90's, after the McKinley Tariff Enactment; that it corresponded with the extra demand for land in the boom period beginning in the year 1896; that it reached its highest point in 1907; struck another low

point in 1911 and 1912; that the high wheat prices and more active buying of the war period had their effect; and, finally, that the depression of 1921 caused a decided slump in the payments, although larger areas had been sold and at far higher prices during the years immediately prior to that. It may be suggested, that, owing to the terms of sale existing during the last few years - the 20-year payment plan - the amount of money due on payments each would be only one half as large as during the previous years when the terms required 1/10 of the purchase price to be paid each year. The difference in land value, however, in the different years would more than counterbalance this fact. So that the table proves therefore, that the payments were much better met under the first set of selling terms than under the set in force until 1923. And, as already intimated, the best proof of this was the writing over in the spring of 1923 of 30,000 land contracts on the new 34-year purchase policy.

From what has been stated it may be seen that during 1918 and 1919 approximately 5,500,000 acres of land at an average of about $20.00 per acre were bought by Canadian farmers from the Canadian Pacific Railway alone. If we could obtain the facts regarding all land selling agencies for the same period, we would see much of the reason for the present difficulty in meeting land payments in Western Canada. That the difficulty is real is reflected by the actions of both parties to the land contracts, the sellers

seeking new and altering old terms, deferring payments, and shutting down on further sales; the buyers piling mortgage on mortgage, leaving the land bag and baggage in wholesale numbers, and making vocal raids on "the powers that be" at Ottawa.

If we examine the sales and selling prices of the Hudson Bay Company during the period of large sales and high prices we find equallt convincing results. The annual report(a) of that Company for the fiscal year ended May 31, 1918, indicates that the net receipts of the Company from land sales during the year were the largest with two exceptions in the history of the concern. In 1915 the net land receipts were only £2,697, in 1916 they had increased to £24,652, in 1917 to £140,777 and in 1918 to £367,841. The report also states that the price per acre was slightly higher in 1918, being approximately $18.00, whereas the first sale made by the Company in 1879 was a full section sold at the rate of $6.00 per acre. The 1919 report(b) shows that the results so far as the Company was concerned were equally satisfactory as those of the previous year. In fact the amount sold was the second highest in the history of the Company, being 285,561 acres, the average price being $17.50 per acre. One would expect the year 1920 to show a decided falling off but the report(c) for that year shows otherwise. In the fiscal year 1920, i.e. between March 31, 1919 and March 31, 1920, 276,629 acres were sold at an average

(a)Article in Monetary Times, August 23, 1918, page 32.
(b)Article in Monetary Times, August 1st, 1919, page 14.
(c)Monetary Times, July 30, 1920, page 48.

price of slightly over $17.00 per acre. During the same year, however, some 27,253 acres reverted to the Company from which one was forced to conclude that great difficulty was found in meeting land payments. A report issued by Hudson Bay Company in 1921 further justifies this conclusion. It points to the fact that land sales are made under the regular contracts - 1/8 cash and the balance with interest in seven years - but states that unforseen circumstances have often required wide and indefinitely posponed modifications to be made in the original contracts, sometimes as long as twenty years being allowed and required in order to complete payment. The report says, "this patient policy of the Company has done a great deal towards keeping settlers in Canada, who would under less favourable conditions have gone elsewhere. This policy has been found to be well worth following and the land sales of the future will be governed by it just as much as have those sales made during the past forty years." If such alterations to the regular contract have had to be made in years gone by when land values were low and when no depression equal to the present one existed, it is easy to imagine how much greater extensions and alterations will have to be made in the case of land contracts entered into in recent years. According to the Company's land official the collections under contracts made have been poor during the past two or three years.(a) In this connection it is well to remember also that the average selling price of Hudson Bay Company's

(a)Letter received from Hudson Bay Company's Land Commissioner January, 1924 and written Dec. 10, 1923.

lands hhve always been somewhat, if slightly, higher that that of the Canadian Pacific Railway, i.e. excluding the irrigated lands of the latter Company. For example, in 1894 when $1.00 per acre signified an appreciable rise in land values, the Canadian Pacific Railway sold 43,155 acres at the rate of $3.05 per acre. In the same year the Hudson Bay Company sold 4,427 acres at $5.24 per acre, and the Calgary and Edmonton Land Company, 13,072 acres at an average of $3.44 per acre.(a) Up to date the Hudson Bay Company has sold approximately 4,000,000 acres at average prices varying from $5.00 to $22.00 per acre, covering the period 1889 to 1923(b). Considering the other land concerns, results obtainable disclose additional symptoms of large land sales, high land prices and serious deviations from the regular selling terms. One firm reported that in 1916 it had settled farmers on 18,000 acres of land on the crop payment system alone.(c) Under this system the farmer takes over a farm and works it, paying as rental a certain proportion of the money received for the crop. If the crop is heavy, the rental payment is large; if the crop is light the payment is small. During the war period when crop prices were high the system resulted in large benefits to the land seller and the example set by some companies in the adoption of this elling policy was rapidly followed by many others though some still prefer the cash payment to crop payment. An example is given of one purchaser who had been farming on this crop share system. When he

(a) Statistical Year Book of Canada, 1894, page 763.
(b) From letter written by Land Commissioner of Hudson Bay Company, Dec. 10, 1923.
(c) Financial Post, Oct. 28, 1916, page 15.

figured up that his year's rental share was $10,000 to the owner, he decided that it was better to buy the farm outright, i.e. for a single definitely stated amount, and took steps to do so. As the system works out, the better the crop the higher the price required to be paid for the land. Another farmer who was working a quarter section on the same plan, finding that he had to pay $1,700 rental to the owner, figured that a rental of $10.00 an acre on land that could be bought at a stated price of from $30 to $50 per acre was a little too high.

A rather striking illustration of the rate of land selling and the ability or rather inability to meet purchase payments is afforded by the experience of the Kindersley (Saskatchewan) Farm Lands Limited.(a) That Company purchased all its land 31,000 acres, from the Canadian Northern Railway in 1912. None of it was sold until 1918, it being stated by the Company's officials that no "effective demand" existed either before or since that date. Whether by "effective demand" is meant that no demand was found at prices as high as those of 1918 or 1919 it is not stated, but certainly during the war years there did exist a fair demand at fair prices. During the two years period 1918-1919, 15,000 acres were sold usually on the terms of $3.00 an acre cash, and the balance in half crop payments, although in some cases where the purchaser was going right onto the land and

(a) From a letter of March 7, 1924, written by and received from the Manager of the Kindersley Farm Lands Limited (Sask).

and needed all his liquid capital for equipment and operating expenses, the company took notes for the $3.00 cahs payment. Experience has shown that purchasers of this latter class have not been very satisfactory from the Company's standpoint, most of the notes taken having had to be renewed each year. As to the ability of the whole body of the Company's purchasers it is stated by the Company that 10,000 of the16,000 acres sold may be considered as "not having been taken up by purchasers", and, consequently, will have to be placed on the market again. Further it is stated that although purchasers have had five years in which to pay for their land, it is the very exceptional man who has come anywhere near to having paid up in that time. The experience of this particular land company may be unusually gloomy by reason of the fact that its land may have been situated in a district visited by a series of crop failures in the last five years. We hove no information, however, pointing in that direction. On the contrary the crop condition in Saskatchewan has been exceptional when compared with that of Manitoba. In any case no particular district is getting higher prices for its wheat than any other district. After all, it is in trying to pay for $30, $40, $50 land with 95 cents to $1.00 wheat that the difficulty comes.

A company whose annual reports give a clear indication not only of the demand for land, but of the general rise in land values is the Canada North-West Land Company. For purposes of ready comparative study, we submit herewith the land acreage sold

and average price received in each year of the Company's operations.(a)

YEAR	ACRES SOLD	PRICE PER ACRE
1894	3,305	5.00
1895	8,034	5.26
1896	20,297	5.69
1897	38,994	5.40
1898	71,640	5.35
1899	84,663	5.42
1900	71,109	5.45
1901 (Share terms)	105,861	5.44
(Cash terms)	15,207	3.50
1902 (Share terms)	195,015	5.73
(Cash terms)	320,001	4.36
1903 (Share terms)	138,427	6.25
(Cash terms)	121,090	4.12
1904	49,565	6.64
1905	144,859	6.67
1906	60,342	9.82
1907	15,471	11.33
1908	8,692	11.13
1909	16,977	11.39
1910	62,137	12.02
1911	45,993	13.96
1912	26,303	14.40
1913	3,962	17.63
1914	9,398	13.57
1915	29,715	15.53
1916	16,898	14.65
1917	32,312	15.29
1918	54,635	15.29
1919	48,352	16.02
1920	23,762	17.60
1921	2,799	17.74
1922	3,757	17.13

From the above figures it can be seen that the second largest number of sales since $10.00 an acre average was reached took place in 1918, and that nearly as large a number took place in 1919. It is also noticeable that in 1920 there was a falling off

(a) Report of the Board of Directors of the Can. North-West Land Co. for year 1922, page 2.

in the number of sales from the previous year of over 100% and a falling off in 1921 from 1920 of almost 1200%. This striking fall in the demand illustrates the effect of the 1921 depression in grain and general agricultural prices. Another noteworthy fact which has become apparent from the last two years' results[a] is that the average taken back in the form of cancelled sales during 1922 is considerably greater than the acreage sold in either 1921 or 1922. This is sufficient indication, if more were needed, of the widespread difficulty of farm purchasers in meeting payments on recent purchase.

It is quite impossible to consider in detail the individual results of the many land companies operating in Western Canada. One of the largest and best operated of these[b] had 66,999 acres of its original 500,000 acre land purchase undisposed of at October 31, 1914[c] while at the close of 1921 but 39,175 acres remained unsold[d]. This means that approximately 30,000 acres of this company's land went to swell the total of high priced land purchases made between 1914 and 1921. And on the sales made during these years, the collections on purchase instalments have been nothing like as good as was expected. Other companies having large areas of agricultural lands for sale in 1915, large areas of which have doubtless since been sold are:-[e] Alberta Land Company Limited, having 88,984 acres in Southern Alberta; Anglo-

(a) Sub-heading called "Land Account" of 1922 Director's Report of Canada North-West Land Co., page 3.
(b) Canadian Northern Prairie Lands Co.
(c) Stock Exchange Official Intelligence 1915.
(d) Rep. of the Company in Annual Canadian Financial Rev. 1921.
(e) All these companies listed in stock exchange Official Intelligence, 1915.

Canadian Lands, Limited, with 67,086 acres in Alberta and 4,800 in Saskatchewan; Calgary and Edmonton Land Co. with 111,438 acres at December 31, 1913; The Canada Company with 141,120 acres at December 31, 1913; Canadian Wheat Lands with 65,279 acres at November 1914; Liverpool Western Canada Land Company with 13,923 acres in Alberta; Manitoba and North-West Land Corporation with 62,547 acres at December 31, 1913; North Saskatchewan Land Co. with 123,991 acres; Dominion Western Land Corporation with 56,649 acres; besides several companies with large holdings in British Columbia, Ontario and other Provinces.

From the foregoing study the inference may be safely drawn (1) that Western Canada land value (being raw, not improved land) have risen rapidly in the last ten years; (2) that large purchases have been madd of such land at high prices, and (3) that extreme and universal difficulty have been experienced in trying to meet land payments. This is true whether the purchaser bought land from a railway company, a land company, a private land owner, or from the Government. It was seen, moreover, that the homestead system was followed in preference to purchasing land so long as that system was available, but that when, owing to lack of available homestead land or exhaustion of the legal homestead entry rights that system could be used no longer, the area purchased gradually increased. We have noted too the great variety of sale terms used and the very evident unfitness of <u>all</u> of them to existing conditions. There is therefore ample proof on all

sides of the need to-day for new ways and means aimed to assist the recent land purchaser in meeting payments.

In closing this chapter we may ask ourselves the final question: why have not the ways and means already provided by the land vendors proved equal to the need? After attempting to answer that we shall begin to discuss ways and means of land financing attempted by agencies other than the actual vendors: usually either the land buyer or a third agency.

The explanation given of the justification of the need of special borrowing or credit terms on the part of the farmer class is also a partial explanation of the inadequacy of such credit facilities as have thus far been provided by land selling agencies. In that explanation it was pointed out that these special terms were needed because of conditions peculiar to agriculture. It is here submitted that failure of land selling agencies to fully appreciate these special and peculiar conditions has largely accounted for the unsuitability or inadequacy of their selling terms. When land disposal was a relatively new business, i.e. when settlement was even much more scattered than it is today, land values were low. When land values were low the money necessary to buy land could be fairly readily secured. Wheat has not gone under the dollar mark since the early nineties. As a general statement it may be remarked that the difficulties of paying for land in ten years or even eight years were not very marked when land sold for $5 or $6 per acre and when wheat sold for $1 or

more per bushel, and where binders could be bought for $125 or less. But it becomes apparent at once that, when land costs $20 per acre (to say nothing of the $50 per acre common in 1918 and 191 1919) and when the farmer still sells his wheat for $1 and frequently less, and when binders cost $350, during the years that land payments are required to be met, the 10-year period is much too short. That the Canadian Pacific Railway early foresaw this difficulty reflects credit on its officicials' intelligence. The tendency of other land venders to lay behind in altering old or establishing new policies shows only too plainly the indifferent study given by them to the special peculiar needs of the farmer. Insofar as all parties concerned were unable to discern the world depression of 1921 they cannot be blamed for not bringing land selling policies up to date before that time. If $3.00 wheat was to continue during all the years following land sales, the question of selling terms would remain more or less a matter of form and those in existence would in most cases have proved more than sufficiently lenient. But all parties should have realized that prices obtainable in war time are always abnormal and that they could not be expected to continue long after the war's close. With this knowledge, land selling terms should have been prepared in anticipation of the inevitable needs of normal times.

If we look again at the general terms of the several land selling agencies certain definite principles will be found to be

involved. One striking factor is that in all the land sales that we have discussed, a certain proportion of the purchase price was demanded when the sale agreement was made. Why was this? The principle is two-fold. First, the cash deposit is regarded as a necessary guarantee of the good faith of the buyer and also is evidence that the settler is entitled to some part of the product of his sale at once. He cannot be expected to hand over the title and use of the land without some present remuneration. On the other hand it is considered wise that the buyer should make the initial cash payment in order that he may have a definite and real interest in the property and therefore, will be more anxious and willing to complete the purchase according to the agreement. There seems no plausible objection to the propriety of such a principle on the part of either party to a land contract The only room for objection would come in the matter of the determination of the percentage of the payment to be made. In this connection one or two almost obvious generalizations may be drawn from the policies or terms already cited. It was seen that when land values were low and, therefore, the degree to which the agreement involved the buyer was small, most of the selling terms required ten per cent of the whole cost to be paid at the time of the sale. Later on, when land values became much higher and the extent to which the purchaser was involved correspondingly higher, the selling terms required not ten per cent but seven per

cent in the case of the new Canadian Pacific Railway terms and 5 per cent in the case of the sale of school lands. Such a change is not without significance. From one explanation of the general principal, one might conclude that this lowering of the initial payment would give the seller less of a guarantee of the buyer's good intentions, and would at the same time decrease by an equal amount the buyer's interest in the contract. If this be true what advantage would accrue from the alteration? No doubt the seller's security is lessened and he, therefore, cannot gain unless the buyer is so benefitted as to be made better able to meet all succeeding payments. Supposing that this psychological effect should not take place (most farmers are anxious to pay and not to avoid payment) would the buyer be better able to meet his future payments because of the reduction in the original payment? Making the reduction is equivalent to allowing the farm buyer to begin with less capital. This in turn means that a greater share of the purchase price than before will be in the form of an overhead debt on which he must pay interest. The extra interest on this added debt must be set over against the advantage given to the reduction on the first payment. To the writer it appears that this principle of reducing the original payment as land values rise is taking the very opposite course to that which should be followed. To take a specific example: A man who bought a farm of 160 acres 20 years ago at say, $6 per acre paid approximately $1000

for it. The amount demanded when the agreement was made was 10% or $100. The balance due was $900. If this man was to buy a similar 160 acres to-day at say, $30 per acre, the all-cash price would be $4800. But the amount he must pay down is now 7% or $336 in the case of the Canadian Pacific Railway land or 5% or $240 in the case of school land. The balance due in each case would be $4464 and $4560 respectively. So that now he would have to pay interest on $4464 or $4,560 instead of $900 and at a higher rate than was paid at the earlier time. It is evident that a much heavier burden is imposed on him in this latter case. Would not the fact that he had a larger amount of working capital now enable him to make larger returns from the land? To be placed on as good a financial foundation as regards ability to complete payments (his overhead debt to-day should be reduced to the same level as it was 20 years ago) viz: to $900. But the only way to do this would be to increase and not decrease the percentage required to be paid down when the purchase agreement was made, i.e. to take the opposite course to that followed by land-sellers to-day. To increase the amount of the balance due on purchase price to act on the assumption that farmers are better able to meet payments to-day than they were years ago, whereas the contrary is the truth. To increase the overhead debt by increasing both its principal and the interest rate charged is to heap up discouragement for the farmer and for agriculture generally. Reduction of the amount of this cash

payment has no doubt been tried in the hope of finding a way out of the late financial impasse. Since the contracts already made could not be altered to make a larger cash deposit necessary, the alternative has been tried. It is difficult to understand, however, in the light of recent experience, why land-selling concerns will consent to smaller cash payments. The only reason or rather excuse that they can offer is to say that no sales could be made if a larger amount were demanded since available customers are almost uniformly men of small capital. At the same time, it is working a grave injustice to the purchasers and courting disaster on the part of the land settlers and incidentally of agriculture generally. Neither as a remedial measure nor as a primary selling principle, can small "down" payments be recommended. What should be demanded is larger down payments as land prices rise. Even though a much smaller number of farm buyers will result, those who do try will have an infinitely better chance of succeeding. The Canadian Pacific Railway Company itself advises(a) the average farm purchaser to possess himself of as much as $3000 before buying a farm from it, and it seems difficult to see anything but a grave inconsistancy between its advice and its selling policy.

A second very important factor in nearly all if not all of the selling policies noted thus far is the provision made for

(a) Handbook of information re "The Prairie Provinces of Canada" published by Dept. of Colonization and Development of the C.P.R. in 1922 (inside cover page).

the gradual paying off of the principal. Instead of charging interest on the full amount of the principal for the full 10, 20 or 34 years in which farm purchasers must complete payment, and at the end of the full period demanding the full amount of the principal along with the interest, it is provided that a definite proportion of the principal be paid off with the interest each year. This principle is followed for much the same reasons as the principle of the initial payment noted above. It is hoped by its adoption to aid the seller by giving him his money sooner and assuring him of final payment by increasing the purchaser's own interest in the property bought. If the buyer has paid off only a few hundred dollars interest at the end of say 5 or 10 years, he has not yet been placed heavily in debt, and if discouragements or side interests intervene, the temptation to break his contract is greater. But if he has paid along with the interest, $1000 or more of the principal he is not likely to sacrifice his interest in the venture unless absolute necessity dictated such a course. This principle seems an advisable one from every point of view, and its importance or its value to both parties to the contract can only be determine as the amount of principal to be paid is large or small and as the ability of the purchaser to pay that amount is present or absent. This principle when worked out in its completeness is called "amortization". The word "amortize" is derived from the latin word "mors" meaning death. To amortize a land contract

therefore means "to put it to death". It cannotbe said that the various land policies we have been considering involve the application of the principle of amortization very fully, but they all involve a greater or less degree of it. According to the arrangement where 10 per cent is paid at the date of contract, the balance is to be paid in nine equal annual instalments. For example, where $100 is paid down, the $100 is paid each year along with the interest due. This is what is ordinarily called a sinking fund method rather than amortization strictly speaking, but it does put the principal to death in nine years. According to the system followed in the disposition of school lands, 19 equal payments of principal must be made to clear off the debt. The Canadian Pacific Railway selling policy in force until a year ago required the buyer to pay 10 per cent in cash and no futther payments of principal until the end of the fourth year, after which he was to pay <u>equal</u> amounts of the principal for 16 years. That policy is to be commended in that it excused the purchaser from principal payments during the first years of his contractwhen his land was ordinarily in the least productive stage. During those years he was hardest pressed for working capital. On the other hand, this advantage was offset by requiring larger annual payments in the other sixteen years. The policy adopted in 1923 by the Canadian Pacific Rdlway represents what is meant by complete amortization. Here the 34 payments are equal, but are part interest and

part capital. It does not mean that the 34 payments will consist of 34 equal parts of the principal alone. As the amortization system works out, the first payments are composed largely of interest and small proportions of the principal, whereas the last few of the 34 payments are composed of small proportions of interest and large proportions of principal. By using this method the difficulties in meeting payments are very small. On the other hand, the advantage to both parties resulting from the gradual reduction of the principal can be secured from the first year, rather than from the fourth or any other year as formerly in effect under the discarded Canadian Pacific Railway Policy. The first four or five years is the time the farm buyer finds it most difficult to meet payments. If during those years he has to pay say $300 of the principal, it will be exceedingly doubtful whether he will succeed. But if during those years he is allowed to pay only $30 of the principal, the difficulty will be largely eliminated. Unless farming cannot be made to pay, this system of complete amortization is thoroughly sound in principle. Where tried in practice it has proved very satisfactory. The great objection generally to amortization is that it involves a knowledge of practical accounting not possessed or even attainable by the farmer purchasers. This objection assumes a deplorable intellectual incompetency on the part of these purchasers, and in the

writer's opinion reflects a condition which does not commonly exist among present-day Canadian Farmers. Like every one else, farmers have to be educated to a certain degree, but usually they evidence a keen determination to comprehend definite principles especially when they are once clearly shown to be in their economic advantage. If the amortization system does possess any advantage for the farmer (and we feel certain that it does) then no such argument as the above should be allowed to stand in the way of its universal adoption. The amortization system employed by the Canadian Pacific Railway at present is important in Canada not because of its originality for several governmental experiments originating some years ago adopted amortization systems of repayment, but because it extends its payments over a longer term of years than any other financial agency in the Dominion. In this it is probably following the precedence of some experienced European countries with similar interests, but it deserves credit for introducing the longer term into Canada. There can be no doubt that a longer term a man has to pay for hisfarm the better is his prospects. This obviously holds true only in those cases where the principal is being gradually reduced by the full use of the amortization system. Being compelled to pay interest on the same amount for a longer time is an entirely different matter and it is extremely doubtful if in that case a longer term of payment would be of any advantage to the purchaser. He would only have to pay interest for a longer period. Of course,

no barrier should be allowed which would prevent the retirement of this debt whereever he could effect such, and the full privilege of repayment included in the Canadian Pacific Railway policy as well as in most Canadian Government loaning policies makes provision for this.

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CHAPTER VII

LAND PURCHASING AND FINANCING IN BRITISH COLUMBIA

We have examined some methods which have been or may be employed by the vendors of land with the intention of assisting farm land buyers in paying for their farms. There still remain for our consideration, first, the various methods which have been adopted or attempted by the buyers themselves and, second, the more recent experiments in land financing made possible by special action on the part of neutral parties not directly concerned with the land purchase contract, but taken at the instigation of the buyers. It is concerning this latter class of experiments that it is next intended to deal. Methods of the first class will receive some more or less general treatment as the discussion of the second class proceeds, and will come in for more special treatment at the conclusion of that discussion.

In the examination of these more recent experiments, it is thought well to proceed by dealing with each province separately. This is so because of the fact that to date most of these attempts have been undertaken an a province-wide scale only and

because the "neutral party" has generally been the Provincial Government. Another fact is that these attempts did not all begin simultaneously, although the general movement favoring them has spread fairly evenly and rapidly. But while the demand for relief measures was fairly universal throughout the country, direct action in attempting to satisfy that demand took place at a variety of dates. And since British Columbia was among the first to takedirect action and on a very extensive scale, and since, moreover, it is situated at one geographical extreme, we shall begin by noting what has thus far been triedout in that province.

Now if it has been deemed specially necessary to seek assistance in financing the purchase of farm land, there must have been some special reason or reasons. This holds true of all the provinces but is particularly the case with reference to British Columbia. In the case of British Columbia the chief trouble has arisen because of a mistaken past policy of land disposal. The chief purpose of the present-day land settlement policy of that province is to lessen the evil results of the earlier policy, and it may be said that the present policy is a direct outcome of those evils and had been adapted only when they became so apparent that the farther purchase of land for cultivation purposes had ceased to be a profitable business venture. To get a proper foundation of the understanding of the relief measures taken, it will be necessary to trace briefly

the past land selling policy and the evils resulting from its adoption.

British Columbia is not a new province by any means, but unlike the eastern provinces where development spread from the earliest points and dates of discovery and occupation, the development of British Columbia has been in an inverse order. It is in comparatively recent years that the great central belt, which is of longest historic interest, and which through force of circumstances hadbeen pushed into the background, has begun to come into its own. The period of exploration and occupation in British Columbia begmenced with the nineteenth century. First came the fur-trading companies - the North'West Company and the Hudson Bay Company. For some time it remained a matter of uncertainty whether British Columbia was to remain a British possession or not. When War broke out between Britain and the United States in the early years of the last century, a British warship sailed into the mouth of the Columbia river and claimed the district by right of posseession. Shortly after this (in 1821) a union of the North'West and Hudson Bay Companies was effected under the name of the Hudson Bay Company, and the active procution of the trade of the district began. The activities of this company southward and the flood of American land seekers caused a dispute as to the ownership of the land. It was not until 1846, after twenty-eight years of discussion and disagreement, that the Oregon Treaty settled the question by fixing the

49th parallel as the southern boundary of British possession on the mainland. In 1849 the California gold discoveries caused a rush to these regions and lest complications should arise the British Government in that year declared Vancouver Island a Crown Colony and turned the Island over to the Hudson Bay Company for colonization purposes for a period of ten years. In 1856-58 extensive gold discoveries were made on the Fraser river. Anticipating a rush of miners and in order to be properly prepared for any emergency, the British Government declared the mainland a Crown colony in 1858. The name of British Columbia was given to the colony and James Douglas made Governor of both colonies. The rights of the Hudson Bay Company were terminated by purchased. The year 1858 may, therefore, be taken as the end of control by the Company and the real beginning of colonial Government. The two colonies - Vancouver Island and British Columbia - were united in 1866 and five years later the united colony cast in her lot with the Dominion of Canada, becoming a province in 1871.

It was from 1858 on that a policy of land disposal was inaugurated. That policy until Confederation was largely dictated from London, usually by persons entirely unacquainted with conditions "on the spot" even though they may have been quite sincere in their intentions. The instructions issued to Governor Douglas involved a great inconsistancy as far as land disposal was concerned. They expressly warned him against allowing lands

to get into private speculators hands while at the same time insisting that he should defray all expenses of Government by making use of the natural resources of the colony. The Imperial authorities based their instructions on the reports that had come to them of the condition of the country. They told Douglas in answer to his appeals for financial aid, that any colony as rich as British Columbia was purported to be should surely be well able to finance itself. Yet it was clearly their intention that this same financing was not to mean the locking up of land in private hands. Douglas, then, since he could get no aid from the mother country, had to use independent means of securing money. Pressing needs demanded that he take the shortest cut, and land, being the readiest asset on which he could realize, was sold on terms calculated to appeal to investors. It seems unfortunate that a better and clearer understanding could not have existed between the home authorities and the colonial officials so that a policy of compromise and cooperation might have been adopted, thereby eliminating any land speculation and conserving the land resources until actual settlement needs should have dictated their gradual and systematic disposal. If, as seems the case, the colonial officials required money why money advances could not have been made by the former to the latter? Whether or not such a policy could have been possible may be a debateable question, but certain it is that the absence of such policy meant the sowing of the seeds of land speculation, the

fruits of which have only begun to be reaped in the last decade or two.

Although, apparently, fully realizing the probable final results of such a policy, Governor Douglas in 1856, issued a proclamation designed to furnish his immediate treasury needs. That proclamation(a) fixed the price of agricultural land at ten shillings per acre, one half to be paid at time of purchase and the balance in two years. All lands not fit to rank as agricultural land were to be put up for public competition at an upset price. Evidently the usual bad results of lavish land disposal became evident soon after the proclamation was put into force, for in the minutes of the Council of British Columbia dated March 1860 it is recorded "that the Council are unanimously of the opinion that a low price combined with occupation and improvement, would conduce to the general settlement of the country". Following this recommendation came further suggestions that, should the price of land be reduced, some conditions should be imposed in oder to prevent land being secured on a large scale for speculative purposes; that the privilege of preempting land by actual settlers should be provided for even before such land should be surveyed; and that each of such preemption areas should not contain more than 160 acres. But here the legislating tending to prevent large scale disposition ceased. The same proclama-

(a)Canada and its Provinces, vol. 22, page 543.

tion (that of 1860) which provided for preemption of 160 acres also allowed these same preemptors to purchase any other quantity of land they desired at ten shillings per acre. After several more proclamations had made minor changes, one in August 1861 reduced the price to be paid for land to eight shillings per acre for preemptions and to two shillings and one penny per acre for any additional land purchased. This meant that the preempted land was several times as expensive as land otherwise purchased, and obviously the tendency of legislation was to increase speculation in land at the expense of settlement. Preemptors were required to perform certain settlement conditions but practically no such conditions were attached to private land purchase. As an excuse for this policy of making alienation easier, the Council members claimed that they did not wish to see all the waste land tied up in preemptions, and said that they saw no reason why a system should not be adopted whereby the capitalist could secure "extensive areas of land when required for laudable (?) purposes". Later changes were made in the land regulations e.g. it was decided to put all lands up for sale, and to sell all lands not disposed of by such sale to private parties at the same upset price set for public auction. The preemptors' rights were changed so that the amount of land which he could purchase in addition to his preemption was 480 acres.

In all the legislation thus far enacted there was no provision limiting the acreage which one person could purchase nor was there any requirement of settlement conditions wotkh considering attached to the sales. As could only be expected, the result was alienation of vast tracts of the best situated and most fertile land within a very few years. Such alienation in turn caused sparse settlement together with all the difficulties of bona-fide settlers that are due to such sparseness, namely, lack of prosperity, backward forms of agriculture, poor social conditions, etc. Despite all these ill effects which could not but be every where apparent, a policy, little more statesmanlike was continued in the years immediately following confederation. When it was seen that parties already owing large blocks of land had no intention of using or improving it, the Legislature in 1872 imposed a mild land tax, but this was at once disallowed on the ground that no conditions of improvement or settlement had been attached to the sale of all alienated lands.(a) In the same year provision was made for the preemption of 160 acres west and 320 acres east of the Cascade Mountain Range, on the condition of performing four years residence, at the price of $1.00 per acre payable in four years. The residence was reduced to two years in 1875. Aside from the preemption regulations, it was stipulated that "land shouldbe thrown open for sale at $1.00 per acre <u>without limit</u> as to area, and that the Minister of Lands should be allowed to make free grants for colonization purposes."

(a) Canada and its Provinces, vol. 22, page 544.

But it was not until 1884 that any legislation was framed tending to limit the area which could be purchased by one person. The "Land Act" of that year provided than no more than 640 acres could be purchased by one person, and that the price of first class land should be raised to $2.50 per acre. The Government has since then (1891) raised the price of first class land to $5.00 per acre and later to $10.00 in 1910, then finally reduced it to $5.00 per acre. The 1884 Act required ten per cent of the purchase price to be paid at the time that notice of application to purchase the land was given and the other ninety per cent when the survey was finally accepted.

Meanwhile (1880) the Province had granted a large part of its best located land to the Dominion to be used for constructing the Canadian Pacific Railway through the Province. In 1886 another large tract of land was given over to Dominion ownership and controlled by a special Act(a). This last block contained an area of 3,500,000 acres situated in the north-east corner and adjoining the prairie lands of what is now Northern Alberta. The two grants considerable reduced the land area under provincial control. Evidence of lightening up in the land sales regulations was seen in 1891 when the residence and cultivation requirements of preemptors was made more definite and when land was classified into first, second and third class with corresponding prices of $5.00, $2.00 and $1.00 per acre. It was further stipulated that the purchase price should be paid within six

(a) Dominion Statutes, 1886, Chapter 56.

months of application for puchase and that henceforth no free grants of land should be given as a bonus for railway construction. An amendment to the Land Act passed in 1895 required every preemptor to pay $1.00 per acre to the Land Commissioner in four annual instalments of twenty-five cents each. The first instalment was to be due two years from the date of the record of the land preempted, and each subsequent instalement thereafter yearly, until the full amount was paid. In default of any payments, the record was to be cancelled and if such action took place, all instalments previously paid were to be forfeited to the Crown. All arrears upon pre-emptions or purchases outstanding at the passage of the above regulations could be accepted by the Commissioner of Crown Lands in equal annual instalments with interest at six per cent on the unpaid balance. Still more strict were the requirements laid down by the Land Act Amendment Act of 1896. By that Act, any purchaser of Crown lands was to deposit not ten per cent, but twenty-five per cent of the purchase money with the Commissioner along with his application to purchase, and was to pay the other seventy-five per cent when the survey was accepted and the sale allowed to proceed. Evidence that preemption payments were falling more and more into arrears and of the futility of previous legislation in effecting payment of such arrears is seen in the modified regulations made by the Land Act of 1900. It was there provided

that "preemptors of Crown Lands who, at the time of the coming into force of this Act, are in arrears in the payments of instalments of purchase money required to be paid by Section 24 of "Land Act" shall, on conforming with the provisions of the Land Act, except as hereby altered, be entitled to obtain Crown grants of their preemptions upon payment of 25% of such instalments in arrears on or before December 31st, 1900, 25% on or before June 30th, 1901, and 25% on or before December 31st, 1901, and without any further payment of interest or arrears of interest, upon such instalements in arrear, and upon payment infull, according to the terms of the Land Act of the instalments not in arrear at the coming into force of this Act; or on payment in full of all instalments of unpaid purchase money, whether in arrear or not in arrear at the coming into force of this Act, but without any further payment of interest or arrears of interest, if such payments be made after December 31st. 1901, but on or before June 30th, 1902." Further similar provisions were made for the payment of preemption arrears in 1901, and in the same year the price of first class land was raised from $5.00 to $10.00 per acre.

So far in this discussion of land disposal, there has been no provision demanding that the private purchaser of land must improve and cultivate it in the same manner as the preemptor. Yet he was allowed to purchase equally valuable land in large quantities at the same price charged the preemptor after the

latter had fulfilled settlement conditions. An attempt was made to remedy this gross inaquality when the Land Settlement Act of 1914 was passed. By that time, of course, the full extent to which insufficient regulations had wrought harm was becoming evident, and the demand for land reform had become insistant. Section 6 of the above-mentioned Act required the private purchaser of Crown land to place permanent improvements upon it to the value of at least $5.00 per acre within four years of the date of allowance of sale. No Crown grant was to be issued for any lands until the applicant had filed a certificate from the Commissioner stating that the required improvements had been made. Should the purchaser fail to comply with these improvement conditions, any money he had paid and all improvements made thereon were to go to the Crown. Any possible good effects of this legislation were counteracted by a special Act passed in the next year (1915). This Act gave the Lieutenant Governor in Council power to postpone the payment of any moneys relating to principal due or accruing on land contracts if those contracts were made by persons who because of obsence or inability caused by the war were deemed unable to meet payments. This Act was to remain in force during and for six months after the war, but it was followed by the "Pre-emptors' Free Grants Act" of 1916 which allowed all preemptors of land who could present certificates of honourable discharge from the army to secure a clear title to their preemptions regardless of whe-

ther they had fulfilled any settlement duties or not.

Enough has been said concerning the earlier methods of land disposal in British Columbia to indicate the fundamental cause of the more recent land troubles in that province. It has been seen that instead of keeping the land and selling it in small quantities to actual bona-fide farmers, in quantities suited to their individual needs, the invariable practice from the very first has been to dispose of it in unlimited quantities at extremely low prices, regardless of whether the buyer was one man or ten thousand, whether he intended to live in British Columbia or to continue residence in the United States or Europe, and regardless also of whether he ever effected improvements or settlement on the land. It has been noted however, that the purpose for which all these vast areas were so ruthlessly handed over - viz: the procuring of Cash for government expenses - has not been effected to any great extent. This conclusion may be reached by noting (1) the lack at first of any provision for full payment of the land sold; (2) the inability, as evidenced by the passage of various Acts each more lenient than the preceeding, to enforce the provisions which were made in the later years to secure payment for the land. All such provisions stated that no title to the land was to pass to the purchaser until full payment was made, but, unfortunately, in practice these have too often proved mere scraps of paper incapable of enforcement. Thus the money, which it was hoped, would be secured by the rapid sale of lands

has been received but to a small extent, and, apparently, will not be received by the Government to the measure anticipated.

Reckless though such a system of land disposal may now appear to us, it appears doubly so if we take into consideration the need of agricultural land in British Columbia. That province is not like the prairie. Good agricultural land is in reality scarce and expensive. The land areas are seldom uniform. The transportation is difficult and full advantage of river valleys must be taken in consequence. Ability to travel long distances to market is very difficult and expensive. Unless in favored situations near to towns and near transportation facilities, marketing is almost out of the question. To build roads and railroads in such a rough and hilly country requires much money which cannot be raised without dense settlement - the very condition which methods of land disposal have thwarted. Much of the land requires draining or dyking before effective use can be made of it, and this naturally calls for more expense. For the greater part the land has to be cleared of a dense growth of forest at great expense of money and labour. Taking theese facts into consideration it is clear that even though a slow and careful method of disposing of the Crown land had been followed, that land must of necessity be expensive. The fact of its comparative scarcity is enough to call for large demand and high value. Difficulties of transportation and marketing were bound to be great under any conditions. If these difficulties are more than ordinary, the amount of capital and labor needed in the construction

of transportation and in the clearing of land was bound to be large and a corresponding interest and wage rates high. Moreover, the lack of large level areas meant that grain growing as such could not be profitably carried on. Mixed farming and intensive rather than extensive would have to be followed. This in turn meant that large amounts of capital for buildings, stock and other improvements. This intensive type of farming necessitated the longer wait for productive results from the land. Everything thus tended naturally to a province of small and expansive farms. When this is contrasted with the policy followed in disposing of the land it can be seen at once that the policy was most unsuited to the natural needs. Instead of selling even 640 acres (not to mention several thousand acres) to one man, or giving one man the right to preempt even 160 acres and buy 480 acres more, the proper policy would have given not more than 100 acres, and more often less, to any one person and would have insisted that absolutely no land should be alienated without active and bona-fide settlement. Instead of allowing 2,500,000 acres (a) of the best situated land to be taken over by absentee proprietors, thus laying the path for isolated settlement, unnecessary expense, and general agricultural backwardness, it would have created compact areas of progressive resident farmers.

So far as the success of speculators in British Columbia agricultural lands may be considered, it may be said that the most

(a) Canada and its Provinces, Vol. 22, page 546.

fruitful period was during and after the building of the Canadian Pacific Railway from the east side of the province to the Coast. One of the conditions on which British Columbia joined Confederation in 1871 was that she should be connected with Eastern Canada by a Transcontinental Railway. Now it was obvious that, when this railway connection was provided, the desire for farm lands for actual farming should be greatly increased. So long as there was no way of carrying British Columbia fruit and vegetables east and of carrying settlers supplies west there could be no very active farm settlement in British Columbia.

But long before this time much of the best land had been placed in the hands of the speculators at very low prices. This was their opportunity to profit by the Government's mistakes and at the settlers' expense. During the construction of the Canadian Pacific Railway and the active lumbering and mining developments, there was a regular mushroom growth of lumber, mining and railway construction camps. This furnished a ready domestic market for farm products. Active demand for these products brought more active demand for agricultural land. Thus during this period up to about 1892 there was a steady demand for farm lands which resulted in a boom. During this boom period there was active land speculation not only on the part of land speculaters as such but on the part of actual settlers as well. Many of these had mortgaged their farms in order to speculate in other land or to increase their smaller holdings. This was all

right so long as the boom lasted. But like a bolt from the blue came the depression of the early nineties following on the financial collapse in the United States which preceeded a general world depression. Prices for farm products were low, money was carce, but interest rates on the farmers' mortgages were high and had to be met. The outlook for the farmer in particular was indeed gloomy and as no appreciable improvement showed itself, a demand was made presently by the farmers for financial relief in the form of money loans, on the principle then in force in New Zealand. The Goverrment managed to stave off this demand, however, by enacting in 1898 the Agricultural Societies Act[a]. That Act merely provided for cooperative pooling of the farmers' own credit and in no way paved the way for Government advances. By its terms, any twenty or more persons could join forces for the purpose of forming an Association which when chartered could procure money by monthly or other contributions or by deposits from its members, and could lend the money so acquired, at a rate of interest determined by the Association itself, to the members of the Association only. These loans could be used only for certain purposes laid down in the Act, but one of these purposes was that of enabling a member "to pay off and secure the release of any mortgage, charge, judgement or other encumbrance upon lands intented to be granted to the Association by way of security for the repay-

(a) British Columbia Statutes, 1898, Ch. 2.

ment of advances to such member". The number of members in any one Association was to be unlimited but the number of shares which any member could hold was limited to one hundred and fifty with a face value of $10.00 a share. The terms and security upon which members might obtain the loans were to be arranged by each association, except that no loan could be made to any member of an amount exceeding two-thirds of the amount of the nominal value of the shares held by such member. As security for the loan the association could take either real or personal property possessed by the member-borrower. Section 38 of the Act provided that "no association could borrow, receive, take or retain more than two thirds of the amount of shares actually subscribed for and alloted to members of the Association in good standing." Another Section provided for the issue of debentures by the Association so long as they did not bear interest above 6% and madeit possible for such debentures to be disposed of to any one. In all cases, however, debentures so issued must first be approved by the Lieutenant Governor in Council. No devident was to be paid upon the shares but all the profits and earnings, after all expenses were paid, were to be carried to an account to be known as the reserve fund, which was to be accumulated for the Association's benefit, and used and invested for its purposes with its other funds. All provision of funds and all active administration was refused by the Government. There was nothing in the Act calculated to satisfy farmers who

had borrowed money on their farm security from mortgage companies at 8% or 9% in order to invest in more land either for speculative purposes or for actual use. Such persons, owing to the low prices and carcity of money, desired money advances from the Government at 4 or 5 per cent to pay off the loans secured from the loan companies at the higher rate.

Although the aid sought by the farmers was not forthcoming, they secured assistance from another direction when at the close of the nineties the long depression was gradually replaced by another boom period. During the first decade of the present century, conditions were so much improved as to create a real active demand for farm land at rapidly increasing prices. But this active demand was still of a speculative nature. Many of the buyers were outsiders who bought large areas at low prices intending to divide their land into smaller blocks and retail it at much higher prices. So active and extensive was the work of these speculators during this period that land values rose to the level of $100 and even $1000 an acre in some cases. Now, of course, such value could not be regarded as the productive value of the land since no farmer could pay such prices andhope to succeed. Despite this fact many farmers did buy land from the speculators at these fictitious exchange values and it is these farmers particularly who have since found the greatest difficulty in making a living securing a profit on their investment, and meeting the payments

for their land. It was the unfortunate lot of these farmers, due to their falling easy victims to the unscrupulous, selfish land sharks, that made necessary an investigation of the actual existing conditions in 1913.

In that year the Provincial Government appointed a special Agricultural Commission to investigate the problems of the farmers particularly these growing out of the policies above mentioned. The Commission found conditions to be quite as bad as painted by the complaining farmers. Witnesses frequently told the members that owing to the inflation of land values, the agricultural industry could not be expected to be pursued at a profit, and that the only way to make a profit from farm land in British Columbia was to sell it. The Commission found that many farmers had risked their all in land purchases at these high prices and that, despite the greatest efforts and best intentions, they were unable to meeet their payments. After a very lengthy investigation the Commission, in 1914, made a report in which it proposed that a board be created to be known as the Agricultural Credit Commission. This Board would deal with all matters appertaining to the administration of Government mortgage loans to farmers. The Commission also proposed that the Legislative Assembly should authorize the Minister of Finance each year to borrow up to a specified amount by the issue of stock or debentures bearing interest at not more than four per cent, and having a currency of thirty-six

and one half years. These moneys should then be available for the Credit Commission to lend to farmers on account of permanent improvements made on their lands as well as for other production measures.

This significient was the signal for legislative enactments. The Legislature evinced an intention of following closely the Commission's recommendations in the Act which it passed in March of the following year. According to that Act[a] a Commission to be known as the Agricultural Credit Commission was appointed with authority to lend money to farmers in the province on the security of first mortgages on their land. Any farm land could be offered as security for a loan except (1) land held by indefeasible title, registered under the provisions of the "Land Registry Act" or (2) land held by record of preemption under the "Land Act", or (3) land held by certificate of purchase on the deferred payment system, or (4) land held as homestead, preemption or purchases homestead under any Act of the Parliament of Canada. The exceptions indicate that the act was chiefly intended to aid farmers who had bought lanf from agencies or parties other than the state. Certainly the provisions excluded many actual farmers from the benefit of the Act. Although it was expressly stated [b] that loans

(a) The Agricultural Act, 1915, Ch. 2.
(b) The Agricultural Act, 1915, Sec.36, sub-sec.1.

could be made on first mortgage security only, yet a special provision was made[a] whereby any person who had already received a loan by giving a first mortgage on his land, could also secure a loan from the Commission; but only on the condition that the full amount advanced by the first and second loans did not exceed the loaning capacity of the land. As we have already noted many of these farmers have received loans from mortgage companies. The condition herein provided was intended to deal with such persons. The loaning capacity of the land was to be determined by an appraisal department of the Commission. Such second advance by the Commission and the receiving of a mortgage concurrent with the mortgage executed and existing in respect of the prior loan could only take place if the agency which held the first loan gave full consent.

There were several purposes specified for which the loans to be advanced could be used. First among these (and the only one which concerns our study) was the purpose of "acquiring land for farming purposes and the satisfaction of encumbrances on land used for such purposes." Other purposes were the clearing, draining and dyking of land, the construction of irrigation works, the erection of buildings, the purchase of stock, machinery, etc.; the discharging of liabilities incurred for the improvement and development of land; the carrying out of the objects of any association subject to appro-

(a) The Agricultural Act, 1915, Sec. 36, sub-sec. 3.

val by Order-In-Council; and generally any purpose which in the opinion of the Commission would increase the production of the land in respect of which the loan was made. As regards the amount which might be loaned to any one person, the Act limited all advances to an amount equal to 60 per cent of the value which the Commission appraisers placed upon the land taken as security and from this, it was laid down that the maximum loan to any individual should be $10,000 and the minimum $250. In order to secure any loan the borrower had to apply in writing to the Commission, setting forth clearly the exact purpose for which he intended to use the loan. Along with this application he was to send a prescribed fee to be used for defraying expenses of apprising the land and making the loan. After valueing the land the Commission would decide whether the purpose for which the land was asked was justified and whether the security was satisfactory. If these conditions met with the Commission's approval, it passed a resolution to that effect and the loan was advanced either in a lump sum or by instalments. No definitely fixed interest rate was stated, it being decided to leave that to be determine from time to time. The basis for fixing the rate, however, was to be as nearly as possible the adoption of a rate actually paid by the Commission on the net amount realized from the sale of securities by which the funds for the purpose of the Commission were to be raised. It was not so much in the rate, however, as in the

terms of repayment that the system showed marked differences from other loaning systems hitherto used in the province. It was provided[a] that the Commission could exercise its judgement in deciding whether the full period allowed for repayment should be 36 1/2 years as recommended by the Special Commission's Report, or 30 years as followed in New Zealand at the time, or twenty years. Beside the long term for repayment, the Act provided that the payments should be made on a system of complete amortization such as that employed by other countries in their Government loaning programs. To the rate of interest was to be added in each case the proportion of the principal debt sufficient to amortize the loan by the time of its maturity which time would be decided by the Commission; and the combined charge for interest and amortization was to be paid half-yearly every instalment except the last being of an equal amount.

It may be noticed that thus far little notice has been made as to the loans by which the Board of Commissioners to be appointed under the Act might receive the money necessary to carry out the purposes of the legislation.

Obviously no operation could be affected without funds. We have seen that the special investigation Commission recommended that in order to raise funds, the Minister of Finance should be authorized by the legislature to borrow each year by means of the issueing of stocks and debentures bearing a definite

(a) Agricultural Act, 1935, Section 50, sub-sec.1.

interest rate not exceeding 4 per cent. In the actual legislation this recommendation was followed except that the authority to issue the necessary securities was given to the Board of Commissioners to be appointed rather than to the Minister of Finance, and the rate was not to be fixed at any definite percentage, but was to be altered to suit the conditions of the money market. The giving of the power to the Commission was, however, little more than a mere formality as the Minister set the rate at which the securities would be issued and the latter were sold through him and were guaranteed by the Province. The limit of the first issue was set at $15,000,000. So much for the Act itself; next, let us see how the legislation was carried out and with what results.

The Agricultural Act of 1915 was declared operative by Order In Council on April 26, 1916(a). For its administration the Commission provided for was appointed, composed of five members, a superintendent and four directors; the superintendent and two directors being appointed by the Lieutenant Governor for a 10-year period and the other two directors being the Deputy-Ministers of Finance and Agriculture. Naturally one of the first steps was the securing of the working capital. In attempting to follow out the regulations as laid down, it was seem that some time would be required to dispose of even the first bonds placed upon the market, so in order to prevent a delay a $50,000 appro-

(a) Sessional Papers of B.C., 1916.

priation was made from the provincial consolidated fund, which, however, was to be repaid at a later date. Aside from this temporary grant, the money was to be secured by the sale of bonds the proceeds of which were to be placed to the account of the Commission. The net earnings of the Commission up to $100,000 were to be set aside as a reserve fund to be used to meet any losses; and the rest of the annual repayments on the loans were t to form a sinking fund from which the bonds or debentures could be redeemed at maturity. On May 1, 1916, the Commission issued $1,000,000 worth of debentures at 4 1/2% which were to mature and be subject to redemption in 25 years, i.e. on May 1, 1941. The whole issue was soon disposed of and its proceeds placed at the Commission's disposal. Before the end of 1916 some 245 loans for a total amount of $84,600 were granted.(a) Such was the flood of applications in this period that the Commission had to leave some 337 to be dealt with in the following year.(b) Of these 337 only 94 or little more than a quarter of the number were granted, and these for the amount of $224,400 or $60,000 less the amount applied for.(c) This practically concluded the work of the Credit Commission, its place being taken(d) by the Land Settlement Board which assumed office on August 1, 1917. Thus the Commission granted in the short period of slightly over

(a) Annual Report Land Settlement Board, 1917, page L 6
(b) " " " " " 1917 " L 5.
(c) " " " " " 1917 " L 5.
(d) British Columbia Statutes, Ch. 34, Sec. 46.

a year that it was in existence a total of 339 loans for the sum of $709,000.

Before going on to consider the machinery which succeeded it, we may well ask why such a change was deemed necessary. Was there any reason why the Agricultural Credit Commission should have been less satisfactory than this settlement Board? Either its scope must have been considered as too narrow or its results disappointing. That the Commission's work was not disappointing and that its administration was satisfactory is best indicated by the fact that its functions were to be continued and its purposes fulfilled under the administration of the Settlement Board. That the field of work that could be carried on by the Commission was not thought sufficiently broad or extensive will appear when the additional powers given to the Board are examined. During the period that the special Government Commission was investigating farm conditions with a view to the recommendation of relief or reform measures, considerable active interest was being shown by influential interests and societies not directly associated with the Government. For example, The Vancouver Board of Trade had appointed a land settlement committee with a view to finding out whether any measures could be taken to relieve farmers in settling on the land.(a) The Committee appointed made a comprehensive report in which some definite proposals were contained. One suggestion put forward was that a policy of practical as-

(a) Monetary Times, Jan. 23, 1914. Page 34.

sistance to settlers should be inaugurated, such as establishing districts settlements convenient to markets. This particular committee had previously made this suggestion to the provincial executive. A second suggestion was that pending new regulations resulting from the investigations made by the Royal Commission on Agriculture, land offices and Boards of Trade should be supplied with full information as to what lands were available for preemption, as well as field notes covering the same. A final suggestion was that guides or agents be supplied by the Government so that applicants for pre-emptions might be properly directed and assisted to locate in settled districts. Interest in the question of agriculture was taken by such organizations because their members were business men who realized that no permanent profit could be accrued to themselves, unless the conditions of farmers already in the country was improved and a great addition was made to the number engaged in agriculture in the province. They, therefore, decided to bring their influence to bear on the Governments to the end that the farming community should be increased numerically, and farming made profitable, and that by this means a solid basis of business prosperity should be guaranteed. Needless to say, these business men could not have been satisfied with the Agricultural Act of 1915. In that Act no provision was made for the establishment of farm settlements, the active encouragement and oversight of new farmers, the exploring of new farm areas, or any measure designed to make the land held by speculators

available at prices that would induce new settlers by offering a reasonably certain business investment. There was no provision that went to the root of the land difficulty and the farmer's needs as seen by the business men. Something more practical and far-reaching was necessary, and this somwthing the ardent advocates of the Land Settlement Act wished to supply.

At the very time that an adequate solution for British Columbia agriculture was being sought very definitely and apparently, successful experiments in land settlements were being carried out in California. The State being geographically near to British Columbia, it was but natural that its experiments would come under the notice of the people of British Columbia, and the more so if its results appeared at all satisfactory. If the problem in California, which was practically identical with that of British Columbia, were in progress of being solved, this would be a strong argument for the adoption of similar methods in British Columbia. Imperial conditions also affected British Columbia since Government land settlement schemes had recently been put into practice in parts of Australia and New Zealand. There can be little doubt that this factor played a strong part in influencing the British Columbia Legislature to take the steps it did.

For one reason or another, it was decided that the Government should embark on a land settlement scheme of large proportions and that the duties, previously carried out by the

agricultural credit Commission should be delegated to the officials of the larger scheme. In order to prepare for this change, an act was passed(a) abolishing the Agricultural Credit Commission. This was to become effective concurrently with the application of the Act(b). providing for more active land settlement and development. That Act incorporated almost exactly the loaning provisions set out in the previous legislation,(c) but it was generally considered(d) that though loaning of money to farmers would continue to be an important feature of the Board's work, yet the public development and settlement operations would be the most far-reaching from a financial and educational point of view. Each successive annual report of the Boards working has clearly shown that the tendency has been to lay little emphasis on the actual loaning feature and to develop as fully as possible the land settlement and development features. If such was to be the policy followed, it is easier to understand why it should have been decided to do away with the Agricultural Credit Commission. That body had to do with loaning money and nothing else. If loaning money was to be discouraged, then the machinery employed in loaning must also be discouraged. Eventually loaning feature would become so insignificant as to render the retention of officials entrusted in carrying it out highly unprofitable

(a) British Columbia Statutes, 1917, ch. 3.
(b) British Columbia Statutes, 1917, ch. 34.
(c) Agricultural Act, 1915.
(d) Article by Maxwell Smith, Chairman of L.S.B., in Agricultural Gazette of Canada, Nov. 1917, page 959.

and the offices virtually sinecures. Again, if the loaning feature was to become gradually of less importance, it could well be looked after by the official in charge of land settlement work in conjunction with their other duties and the cost of administration would be thereby lessened. That loaning money was to be subordinate to land improvement and settlement is clear from the following statement (a) made by the Chairman of the Board provided for by the new legislation (b) shortly after he assumed office:- "We realize that our first duty is to create conditions that will facilittate the profitable occupation of the land, making it possible for the farmer to earn a fair living under congenial circumstances. Then there will be no need to worry about getting people to occupy and cultivate the soil. In the land settlement and development Act a good start has been made along practical lines as the Board is empowered to undertake important land development work that should revolutionize the agricultural status of the province". In addition to the apparently widely accepted opinion that loaning as carried out by the Credit Commission was not in itself a sufficiently comprehensive program for British Columbia agricultural needs, there was also some doubt held as to the ability to carry on that program. The operations of the Commission demonstrated clearly that the demand for loans far exceeded the supply of available funds

(a) "Agricultural Gazette of Can." Nov. 1917, p. 959.
(b) British Columbia Statutes, 1917, Ch. 34.

Although only about onequarter of the amount applied for had been granted, the $1,000,000 secured and placed at the Commission's disposal was well nigh exhausted. Would it be possible in future to float more debentures at low enough rates in order that the necessary loaning funds could be secured? Although the Government had authorized the issue of another $2,000,000 worth of securities, it was for some time thought that the issue could not be offered on terms that would result in sufficiently low interest rates to the farmers. It was announced (a) that the Government after making enquiries, was informed that the best rate that could be secured was 5.8 per cent, a prive which at that stage of its loaning experience the Government did not see fit to accept since the additional handling charge of 1 1/2 per cent would raise the cost of loans to farmers too high. For this reason it was practically decided to discontinue lomning until the fall of 1917, or until a loan for such agricultural purposes could be floated successfully. Shortly after this conclusion had been reached, the Government received reports that with the oversubscribing of the Liberty Loan in the United States and the hearty reception given to the Canadian War Loans, money would be obtainable for its agricultural loaning scheme. It was, therefore, decided

(a) Monetary Times, June 23, 1917, page

to issue a loan at once rather than wait until the fall [a]. This action practically coincided with the entry into office of the land settlement Board which, according to legislative provision[b], automatically displaced the Agricultural Credit Commission. Thus it is seen that apart from the inclination of the Government and general interests of the time to minimize the loaning feature, there was also experienced considerable difficulty in procuring the necessary funds at reasonable rates of interest. When it is remembered that the Special Investigation Commission in its report to the Government recommended that the Government should not exceed 4 per cent as the price paid for loaning funds, we can readily conceive of the Government being conservative in floating loans when as high as 5.8 per cent was demanded. For various reasons, therefore, the Credit Commission was abolished and its duties taken over by the newly constituted body. It is with the powers and workings of that body that we must next deal.

When once the Government had become concerned that it should embark on an active settlement and development scheme, legislation providing for such a policy was enacted. The Act of 1917[c] with its amendments in 1918, 1919 and 1920, constitutes the legislation to date. One of the first provisions was that for the creation of a Board whose duties it should be to

(a) Monetary Times, July 21, 1917, page 32
(b) British Columbia Statutes, 1917, Ch. 3.
(c) British Columbia Statutes, 1917, ch. 34.

administer and carry out the terms of the Act. This board, called the Land Settlement Board, consists of not less than three members, a Chairman and two directors, to be appointed by the Lieutenant Governor in Council. All moneys required by the Board for the purpose of the Act are to be supplied in the form of advances from time to time by the Minister of Finance out of the Consolidated Revenue Fund of the Province and in such amounts and at such rates as the Government may decide. The Board in turn, must pay all moneys collected or received by it under the Act to the Minister of Finance to be used by him in the reduction of outstanding advances. All such moneys are to be accounted for as part of the consolidated Revenue Fund and no moneys collected or received by the Board can be spent or paid out without first passing into the Provincial Treasury. Shoudld the Board secure any net surplus earnings they must be placed in a specially constituted reserve fund until the latter amounts to at least $100,000. This reserve fund is to be made available for the satisfaction of any losses incurred by the Board. The Board's duties are divided into two distinct classes - that of making loans for agricultural purposes and that of developing and settling the land. It is well that we should first consider its work as a lending agency.

Generally speaking the loaning provisions are the same as those made under the Credit Commission. Loans may be

made for a great variety of purposes one of which is the "acquireing of land for agricultural purposes and the satisfaction of encumberances on land used forsuch purposes(a). The amount which any individual or association may borrow, the manner of applying for a loan, the kind of security that may be offered, and the manner of appraisal are the same as described already when considering the loaning powers of the Credit Commission. Before granting any loan the Board must satisfy itself that the land offered as security is sufficient value when estimated on the basis of agricultural productiveness; that the purpose for which the loan is to be used will provide a desirable increase in agricultural production, and the granting of a loan to any applicant will prove of economic benefit to him and that he will be able to make a profitable use of it. No land which is unsurveyed may be offered as security. No one applicant, whether an individual or an Association may apply for more than $10000. Two methods are employed by the Board in advancing the money. If it is paid to the applicant in one lump sum, as is usually the case, he may not secure an amount greater than 60% of the Board's apprisal value of his land. If, however, the money is advanced in a progressive manner as, for example, for effecting improvements, the total sum so advanced may equal 60 per cent of the value set on the land after the improvements made by means of the loan are completed. The term for which a loan may

(a)British Columbia Statutes, 1917, ch. 34, Sec. 19, Sub-Sec. (a)

run is somewhat shorter than under the previous legislation.[a] Instead of 36 1/2, 30 or 25 years, the loans now made must be repaid in either 25, 20 or 15 years as fixed by the Board. Payments are made on the complete amortization plan and at half-yearly periods. A system of short term loans is also employed, but as this cannot be used in the actual purchase of land, at least not unless very indirectly, a study of its provisions and working does not concern us in this study.

It is now in order to note the extent to which the land settlement Board has loaned money on long term mortgage. To begin with it is important to note that provision[b] had been made whereby all applications received but not yet dealt with by the Credit Commission should be dealt with by the Land Settlement Board and that the accounts of the two kinds of loans should be kept separately. When the Board took over the Commission's work on August 1st. 1917, a large number of loan applications were waiting to be dealt with. The Commission[c] had dealt with but 23 applications made in 1917. Between August 1st and December 31st, the Board had looked into 412 applications made during the life of the Agricultural Credit Commission. Of this total, it saw fit to grant 149 for the amount of $222,450. Of the remaining number, 208 were

(a) British Columbia Statutes, 1915, Agricultural Act.
(b) " " " 1917, ch. 34, Sec. 46.
(c) Annual Rep. Land Set. Board, 1917, p. L.6.

either refused, withdrawn or cancelled, and the other 55 were left pending until the land offered as security for them had been appraised. Thus, of 412 applications for $703,711. dealt with by the Board before the end of 1917, only 149 were granted for a total of $222,450 and 55 for $120,700 were left to be dealt with later. Moreover, there were 54 applications made during the term of office of the Credit Commission unappraised at the beginning of 1918.(a) Hence a total of 109 Agricultural Credit Commission's applications yet remained to be disposed of by the Board. During 1918, 60 of these were rejected or withdrawn, 12 were granted, 11 were left pending but appraised and 26 unappraised.(b) Of the 11 left pending and appraised, one for $6000 was granted, two were rejected and eight left pending by the Board in 1919(c). In 1920 all of the 8 appraised but unauthorized loans at the end of the previous year were either rejected or withdrawn. The other 19 which had remained unappraised were disposed of as follows: 16 were cancelled or withdrawn and the other three, which came from the Peace River District, were left still awaiting appraisal.(d) By the end of 1922 a total of 610 of the applications made to the Credit Commission during its existence had been accepted and loans granted. Of these some 339 were granted before the Commission was abolished and the remaining 271 after the Board took over the loaning

(a) Annual Rep. Land Set. Board, 1918, page 6.
(b) " " " " " 1918, page 6.
(c) " " " " " 1919, page 7
(d) " " " " " 1920, page 5-7

work. All 610 loans were made as follows:- 490 before the end of 1917, 19 in 1918, 1 in 1919, 42 in 1920 and 58 in 1921. Of the full 610, 132 had been either cancelled or withdrawn before the end of 1922; 106 before the end of 1917, 16 in 1918, 1 in 1919, 4 in 1920, 2 in 1921 and 3 in 1922. The number of loans repaid in full before December 31st, 1922, was 104, distributed as follows: 5 were paid off before the end of 1918, 40 during 1919, 26 during 1920, 13 during 1921 and 20 during 1922.(a) Deducting the number of loans paid off plus the number cancelled or withdrawn the number left in force at the end of December 22, was 371 and these for a total amount of $691,250. All the payments of these loans and all mortgage certificates given as security will be placed in the Special Agricultural Credit Commission Account and such account will presumably remain in existence only so long as the last payments in respect to such loans remain unpaid.

So far only those loans granted as a result of applications received by the Credit Commission had been treated. It will now be necessary to note the loaning activities of the Land Settlement Board in regard to the applications addressed to itself. From August to December inclusive of 1917, the Board dealt with 103 of such applications, granting 55, refusing, cancelling and withdrawing 36, and appraising but leaving pending 12. There were also 32 other applications received but not dealt

(a) All above figures from Annual Reports of Land Settlement Board, 1917 - to 1922 inclusive.

with in any case.[a] During 1918 the Board received 145 new applications for a value of $336,150. Of those it granted 66, refected 52, appraised but left pending 6 and left 21 unappraised. The 44 left to be considered from the previous year were dealt with as follows: 20 rejected or withdrawn, 18 granted, 3 left pending and 3 left unappraised[b]. In 1919, a total of 180 new applications were received. During the year the Board granted in all 93 applications, rejected 75, and left 45 for later consideration. The next year 160 more application were received, and altogether 82 were granted, 100 rejected, cancelled or withdrawn and 23 left without being considered. In 1921 there were 143 new applications, and of old and new applications the Board granted 59, rejected 79 and withheld decision on the remainder. Only 89 new applications were received in 1922 and in that year of all those on file, 53 were granted, 33 were rejected or withdrawn and 21 left for further consideration. To the end of 1922 a total of 820 applications for loan had been received. Of this total, the Board saw fit to grant 426 but for a much smaller amount than that requested. Moreover many of those granted were later cancelled or withdrawn. Some 395 were either rejected, cancelled or withdrawn, and upwards of a 100 of the later loans were condelled later.

(a) Annual Report Land Settlement Board, 1917, p.L-7
(b) " " " 9 "9 " 1918, p. 6.

From the very outset the money lending feature of the Board's work has been subject to the general policy which in turn has been in accord with the purpose of the legislation which brought it into being. The main purpose of that legislation[a] was to promote land settlement and development work to the fullest extent and with a view to stimulating rapid and judicious development of the agricultural areas of the Province. That policy has not been held to be consistent with that of lending moneys to already established farmers and to obviate the inconsistency the Board early[b] began reducing the money-lending feature. It was stated in the Annual Report for 1918[c] that the Board had very materially reduced the volume of the money-lending business during that year as well as insisting that a larger percentage of the amount loaned be devoted to improvements to the security offered, thereby "promoting increased agricultural production". Loaning decreased in volume in 1920 as compared with the previous years, due partly to fewer applications being received, but chiefly to the preference given to applications for development purposes from new settlers as against applications for loans to discharge existing debts.

A still greater decrease was noticeable in 1921 due

(a) British Columbia Statutes, 1917, Ch. 34.
(b) Annual Rep. Land Settlement Board, 1917, page L-9.
(c) " " " " " 1918, page 5.

mainly to the depression in prices of farm products. Anticipating that extensive loaning under adverse agricultural conditions could not meet with success, it was decided early in that year[a] to greatly restrict the making of new loans, andto confine business to the inspection of existing loans and other necessary administration work. All new loans that were made were to new settlers and for development work. During July of that year (1921) an examination of the past workings of the Board was begun with a view to adjusting the system to suit the particular agricultural needs of the times. In this examination the loans granted from April 26, 1916 were analysed. That analysis disclosed the fact that a large proportion of the money loaned had been used to pay off previous mortgages on the properties offered as security. Thus we can see that during the earlier years of the Board's working, considerable assistance was received by farmers in paying for their farms. This purpose, however, was about the least important one from the point of view of the Government which created the Land Settlement Board. Its interests were rather in the future of the province than in its past. It wished more new settlers and more production, not the same old settlers with the same production. To carry out the main intention of the Act[b] viz: increased production, - it was desirable that as

(a) Annual Rep. Land Settlement Board, 1921, page 5.
(b) British Columbia Statutes, 1917, Ch. 34.

large a proportion as possible of the moneys loaned should be more directly applied to development in the shape of permanent improvements, and particularly in the bringing of increased acreage under cultivation. In line with this intention, from 1920 onwards a decided preference has been given to the making of small loans to new settlers and generally to the favoring of applications where the Board has been in a position to secure the expenditures of money to specific work such as land-clearing, erection of buildings, or purchase of stock and equipment.

In regard to the ability or otherwise of borrowers to meet payments, it may be said that the difficulties everywhere apparent since 1920 and common to agriculture, have been encountered in British Columbia. So large was the amount falling into arrears that it was deemed wise in 1922 to conduct a special investigation of each individual loan(a). The Board realized that, due to the specially adverse conditions, many willing borrowers would be unable to meet payments no matter how well intentioned they might be. It also knew that these same conditions would provide an excellent excuse for non-payment on the part of borrowers less scrupulous and less energetic. So in order to deal justly with all cases it was considered that first hand information should be secured.

The inspections revealed the fact that very few of

(a) Annual Rep. Land Settlement Board, 1922, page 5.

the borrowers were in arrears due to personal neglect or disinclination. In those few cases action was subsequently taken to compel payment, or to foreclose on the property. In all other cases, however, the practice has been to deal leniently whereever the borrower shows application, ability and sincerity. As regards new loaning it may be said that a special care is now taken in dealing with this matter. With very few exceptions, no money has lately been advanced to clear off previous mortgages; hence already-established farmers who still have payments to make on their land now benefit little from the loaning provisions.

It has already been stated that lending money was only one feature of the Land Settlement Board's work, in fact, that it was theleast important feature. Of what, then, does its chief duties consist? They consist of the active carrying out of land settlement and development. The Board is empowered(a) to receive at any time from the Lieutenant Governor in Council land suitable for agricultural purposes. As to the manner in which such land must be dealt with by the Board, it is provided(b) that the Board may, if directed by the Lieutenant Governor in Council, take over from the Crown or to purchase from private owners, or to acquire by compulsory purchase any lands in British Columbia fit for agricultu

(a) British Columbia Statutes, 1918, Ch. 42, Sec. 7.
(b) " " " 1917, Ch. 34, Sec. 42;
1919, ch. 41, Sec. 7.

ral purposes; that it may survey, subdivide, clear, fence, dyke, drain, irrigate, plant, cultivate and otherwise improve develop and use any lands that it may acquire; that it may farm such lands if it thinks such a course necessary; that it may erect buildings on such lands; that it may build and maintain roads and bridges in order to improve the lands; that it may sell, lease, or exchange lands acquired on such terms as it decides to agree upon; that it may buy or sell all kinds of livestock and merchandise needed in carrying out its work; that it may make an agreement with any person obtaining a loan to the effect that the Board may undertake to make the improvements on the land for which such loan is made; and that it may manufacture explosives for its own use or for sale for land-clearing purposes. Moreover, if the Board decides that agricultural production is being retarded because of lands remaining undeveloped, it may with the Lieutenant Governor in Council's approval establish a "Settlement area" in any part of the province.(a) It may go even further and make agreements with outside parties for the colonization of a "settlement area". On each such area, the Board shall appraise all land at such value as it considers theproperty would be taken in payment of a just debt, from a solvent debtor. The purpose of thus appraising the land is to arrive

(a) British Columbia Statutes, 1918, Ch. 42.

at a fair estimate of its productive value. After such appraisal is made the Board is required to send a registered notice to each person owning land in the settlement area stating that the land has been valued at a certain price; and that unless the owner, within 30 days after the notice is mailed to any place in Canada or the United States, or 60 days to any other place, irevocably agrees to sell his land at the Board's appraised value to the Board within the next two years he must make and execute improvements on the land in the manner and to the extent directed by the Board. In addition the Board's notice to the owner must contain the warning that, in the event of said owner neglecting or refusing to agree that the Board may buy from him or nagotiate on his behalf a sale of the land at the appraised value, or to accept the alternative by improving the land as directed by the Board, the land shall immediately at the expiration of the notice, become subject to a penalty tax of 5% of the appraised value, over and above all other taxes imposed on it; and that such tax would be exacted so long as the owner refuse to comply with the Board's requests. In case the owner executes a proportion of the improvements to the land, the amount which he must pay as a penalty tax will be correspondingly reduced. A still more radical provision authorizes the Board, when directed by the Lieutenant Governor in Council, and when deemed

necessary, to purchase compulsorily any non-productive agricultural or pastoral lands within the limits of an established settlement area, or anywhere else in the province. To effect such a purchase, the Board must publish a notice in three consecutive issues of the Gazette and in one newspaper circulating within the district in which the lands are situated, and notify the owner that it has been authorized to so compulsorily purchase the land after one month from the last appearance of the notice in the Gazette has expired, at its appraised value, free from all prior encumbrances.

In a great number of cases when legislation such as the above is once placed on the statute books little attempt is made to put it into practice. Not so in the case of British Columbia. The first year or more of the Board's operations was largely confined to the first investigation of land areas throughout the province in order that reliable data could be available for actual settlement work. In this investigation, special attention was directed to the unoccupied Crown-granted lands situated convenient to transportation and markets. During 1919 the Board managed to establish ten settlement areas. The policy adopted in setting these areas was to employ in the development work men who wished to obtain farms ultimately. It was considered that the fitness of all such men for the work and management of a farm would be determined to a very great extent by their personal records in the develop-

ment stage. This so largely proved to be the case that the Board decided to delay the actual turning over of developed farms to individuals until all possible steps were taken to assure success. The activities of 1920 were confined chiefly to settlement work in the ten areas established the year before. Owners of unimproved lands in those areas were required to commence improvements or incur the alternative of the 5% penalty tax. The total acreage included in settlement areas to the end of 1920 was 121,141 acres, of which 46,647 acres were surrendered to the Board at a cost of approximately $200,000; 19,156 acres were resold to bona fide settlers, including 53 returned B.C. soldiers. The acreage left available for sale at January 1, 1921, in the ten areas established was 27,492 acres.(a)

With the establishment of four new areas during 1921, the preparatory work of examination and selection of lands in central British Columbia which has proceeded steadily for the previous four years was brought to a conclusion. The net result was that a careful examination had been made of all lands at present adjacent to transportation throughout central British Columbia and that approximately 200,000 acres of new land suitable for agriculture had been selected as a basis for future settlement. These selected lands are all controlled in the

(a)All figures from Annual Report of Land Settlement Board, 1920, p. 6.

matter of price, so that the new settler on whom the burden of development falls will be secured against the handicap entailed by the payment of an expensive price for land. By the end of March, 1922, the total extent of settlement areas was 193,139 acres, of this 56,957 had been actually acquired, partly by purchase from owners at the Board's apprised price and partly by free transfers in the case of Crown Lands. Of this 56,957 acres acquired, 27,144 acres had been sold to 170 bona fide settlers(a). At the same date a further 24,942 acres had been improved by owners to escape the penalty tax, and on lands so taxable and left unimproved the Board had levied the amount of $26,482.

Considerable care has been taken in dealing with applications for land. Each representative is held reponsible that no application is forwarded unless the prospective settler has some capital or its equivalent in stock and equipment and also has enough experience to enable him to take up the work of agricultural development with a reasonable guarantee of success. Because of these precautions, many applications were turned down, particularly those of persons desiring to settle in the more remote parts of the areas. It has been thought that in no other way would the permanent welfare of British Columbia agriculture both from a national and an individual standpoint be assured. From the above it will be evi-

(a) All figures from Annual Report of Land Settlement Board, 1921, page BB-6.

dent that the Board's work has not been restricted to any stereotyped plan for the general encouragement of new settlement, but that an effort has been made to regulate and direct settlement along lines suited to the permanent welfare of each individual. During 1922 applications for land in the settlement areas were accepted by the Board only from thoroughly experienced men, a class few in number.(a) The activities of the Board in which we are especially interested, viz: land purchasing - were of little amount. Negotiations were entered into during the year with representatives of a number of British Companies owning large areas of vacant land in central British Columbia, with a view to cooperation in the settlement of lands, and as a result of the general understanding reached, it was proposed that the Board would be ready to assist in the location of approved settlers brought out by the said Companies from the British Isles, Denmark, Norway and Sweden. At the close of the year (1922) the total acreage in the 14 established areas was 193,139; the total to which the Board had a title was 59,859; the acreage under option 7,243 and the amount sold 29,327 acres; the number of settlers 194; the acreage improved indirectly by the owners due to the Act, 32,430, and the amount of penalty tax assessedagainst unimproved lands, $48,674.(b)

Some of the difficulties met by the Board in the land

(a) All figures from Annual Report Land Settlement Board, 1921, p. BB-7.
(b) All figures from Annual Rep. Land Settlement Board, 1922, Page 26.

settling might be mentioned. For example, it has been stated that[(a)] up to the end of 1921 the majority of the settlers refused to enter into an agreement with the Board for the purchase of their allotments due chiefly to a misunderstanding. Efforts were made to remedy this condition of affairs with the result that a large number of those (mostly single men) who apparently never had any serious intentions of farming their allotments have been eliminated entirely and all the bona fide settlers have made definite agreements with the Board. Another difficulty, which most Canadians in whom the spirit of thorough individualism is deeply ingrained, manifest is the danger of too much oversight by the Board. To a person of the type here mentioned, the whole of the British Columbia land settlement idea savors much of paternalism. There seems too much control from above rather than letting if come from beneath. Independence of the individual is lacking. The Board has tried to help the settler where before he was left to help himself. Almost from the first it has realized that the maximum of progress can never be attained so long as the settlers feel that they are dependent on the Board at every turn for financial assistance and are able to shift responsability which rightfully belongs to themselves on to the shoulders of the Government. Ample proof has not been

(a) Annual Rep. Land Set. Board, 1922, page 27.

lacking that too much Government assistance and interference has a most demoralizing effect on the recipient in many ways. In a community like these settlement areas, in which the settlers are strongly organized for purposes of self-protection, it has been found very difficult to work out any plan of loaning money to the individuals on a business-like basis. The least capable and least deserving settlers expect to receive identical considerations with the most deserving and most capable, and such expectations are often backed up by the community organization. For this reason, it is almost impossible to eliminate them no matter how incapable they are known to be. Very often the most active members of the community organization are the poorest farmers.

Another point strongly advocated by the Board(a) since having had some actual experience in the matter is the inadvisability of trying to establish penniless men on raw undeveloped land and expecting them to make a success thereon without the expenditure of large sums of money not directly returnable. The Board's experience is that a very few exceptionally capable men have been successful under such conditions, but that as a rule the degree of interest displayed and energy developed by a man on any particular piece of land corresponds largely to the amount of his own money that he has invested therein.

(a) Annual Rep. Land Set. Board, 1922, p. 28.

Something that has not been mentioned and that is of direct interest for our present purpose is the terms on which the Land Settlement Board resells the land which it acquires either from the Crown orfrom private owners. Settlers desiring to purchase land in the settlement areas must pay at least 20% of the selling price when the agreement of sale is delivered. The balance is to be paid in equal annual instalments extending over a period not exceeding 15 years from the date of the agreement, with interest payable yearly on the unpaid balance at the rate of 7% per annum.(a) An important exception is made in the case of returned soldiers who are entitled to an abatement of $500 on the cost price of their land. Another requirement is that the settler purchasing land must prove bona fide residence in a habitable dwelling upon the land sold within 12 months from the date of agreement of sale, and he must continue to so reside so long as any part of the selling price or interest remains unpaid. Still another same provision states that the settler must make improvements to all lands bought equal in value to :- 50cents per acre within two years from the date of the agreement of sale.

$1.00	per	acre	during	the	3rd	year	from	the	agreement	of sale.
$1.50	"	"	"	"	4th	"	"	"	"	"
$1.50	"	"	"	"	5th	"	"	"	"	"
$1.50	"	"	"	"	6th	"	"	"	"	"

Altogether a total value of $6 per acre of improvement to the land exclusive of buildings and fences is required before title

(a)Terms contained in Bul. called "The Land Settlement Board of B.C." issued in 1923, p. 6.

can be issued, whether the purchaser has paid the full amount of the purchase price or not.

To the writer, it seems that the above terms embody a measure of safety in land disposal not present in the old Government selling terms. The requirement of continuous residence until full payment is made seems a definite advance, as is also the requirement of a large and definite amount of improvement before the issue of title. The success of the experiment will depend largely on whether the above provisions can be adequately enforced. Everywhere in the legislation there is evident a determination to guard against any such prodigal methods of land disposal as were employed in earlier years. Indeed it may be said that in large measure the present program is one by which it is hoped to make the best of past mistakes and prevent any replication of the same. So far as the work of land settlement and improvement is concerned, nobody can deny that the objects sought are just. If, as seems to be the case, a Land Settlement Board acting under direct Government sanction and instructions can, by clearing, draining and otherwise improving provincial agricultural land, make the soil ready for the plow more cheaply than each settler acting individually, it is a good move. If that Board can by any means at its command place suitable land on the market for the settler with little capital at a price much lower than that asked by the private absentee owners, then surely a distinct advance has

been made in land purchasing. The financial burden of the settler caused by inflated land prices will thereby be obviated; or at least decreased. Aside from the measures which the Board may adopt to force land alienated from the Crown back into the Government control, there is little possibility of its proving of assistance in the cheapening of farm lands. It may also, however, prove a beneficial agency to the new farm buyer because of the fairly lenient terms offered. To demand that the purchaser have 20% of the value of the land may seem severe when compared with the terms offered by some ordinary land companies or companies such as the Canadian Pacific Railway which demand only from 7 to 10 per cent cash. But we believe that in the long run this provision will prove highly justificable. An overhead debt of 80 and not 90% or over will be laid on the settlers' shoulders. At the same time his personal interest in the property will be doubled from the beginning. The exacting residence and improvement conditions in the selling terms ought to guarantee a really solid and permanent type of settler. Aside from these direct effects, it is more than probable that the indirect effects of the land settlement scheme will prove even more significant and valuable to the new land purchaser than the direct effects. As may be observed by looking at the figures already quoted, many private owners and land companies have been induced or reluctantly compelled to sell their holdings at reduced prices

in order to conform with the comparatively reasonable valuations placed on similar lands by the Board's apprisers. Moreover, many acres of land have been improved privately to escape the penalty tax. It may therefore be said that the settlement area policy, whereever put into force, has had a decided tendency to stimulate sales and to regulate prices.

Various other features of the Board's working in the settlement areas might be mentioned although they do not directly concern our study. All the semi-paternalistic works carried on in all community settlements are here tried. Such works require a vast amount of oversight and much official strategy and consequent governmental expense. British Columbia is, however, well united for such community settlement work. The areas chosen for improvement and resale were largely in new communities where old established farmers were not in the majority. On can scarcely imagine such paternalism being possible in the old farm settlements of eastern or south-western Ontario. There the people have long since learned to depend on themselves and would not welcome anything hinting at interference with what they believe are their individual rights. Perhaps this very spirit of intense individualism has proved and is proving their very weakness and almost downfall. Certain it is that it is the force working against really complete and effective

cooperation. And therefore, so far as united action may be deemed an effective weapon by which the farming class may overcome difficulties, individualism as existent in the older parts of Canada may be said to work against the effective adoption of that weapon. Another fact which distinguishes British Columbia from most parts of Canada is the type of farming that must be carried on there. More and more it is being realized in British Columbia that the absence of sufficient land must mean a highly specialized type of farming. In no case can wheat-growing as such prove practicable. Even mixed farming, as we know it in Eastern Canada, cannot be widely carried on. Fruit-growing, vegetable-growing and dairying are examples of the type we must expect in British Columbia. That type means small farms, dense settlement, cheap oversight, ease of cooperation since the distance element is minimized. Hence it appears as if all these factors might contribute to make the community settlement idea feasible in the Pacific Province. But in the prairie provinces, for example, no such close settlement is possible. Cooperation and oversight would be difficult factors. In Ontario, Nova Scotia or New Brunswick it would be difficult to establish such settlements on any appreciable scale. A sufficient area of suitable land could not be found unless the unexplored parts of the provinces were taken up. Old established farmers would not submit to confiscatory taxes

or to being compelled to sell their old family homestead at a price dictated by any Government agency. In British Columbia, the absentee owners are in a very different position. There is no sentimental bond uniting them to their land. That land is of interest to them only so long as it holds prospects of returning them an "unearned" profit. It is a means to an end and not the end itself as is the case of the "old farm" that has descended from generation to generation.

The British Columbia experimental venture is valuable first, because it holds within itself great possibilities for that province; second, because any parts of Canada similarly situated as to climate, geograohically and population, might enjoy a similar system with probably equally good results; and, finally, because there seems no sufficient reason why the Governments of Saskatchewan and Alberta could not follow a similar plan so far as placing the well situated idle land back into the Government control when it might be sold at its truly productive value. If the British Columbia plan has been really effective (as it seems to have been) in forcing speculators to place land on the market, there seems no good reason why the principle might not be extended to apply to the prairies where, it is so often stated, there are to be found between 20 and thirty million acres of good land near to transportation. If the objections to such forcible measures are so great in Saskatchewan and Alberta why have

they been overcome in British Columbia? It is not to be assumed that the Land Settlement Board of British Columbia has not met with opposition on the part of the land speculators. As illustrative of such opposition the following letter written by one of these absentee owners may prove self-explanatory.(a) "In 1907 I purchase quite a tract of land in what was then known as the Neckako Valley in Central British Columbia. I was one of a number of people from this community who purchased at that time. We paid $4.50 an acre for this land, 400 miles from transportation, because we had faith in the future of the country, and at that time also in the integrity of the Government. You, yourselves, had so little faith in this locality at that time that you were selling the land to anybody without any settlement conditions whatever for $1.00 an acre, and evidently thought you were putting something across on the purchasers when you let them have it at that price. When we bought our land there was a written contract between the Grand Trunk Pacific Railway and your Government under which the Railway was to be completed through Nekako Valley by a certain fixed time, which was about three years after the date of our purchase. I intended to put this land into cultivation at the earliest possible

(A) An open letter of protest addressed to the British Columbia Government by Mr. Abbott of Nebraska. Contained in Monetary Times, February 1919.

time, which could under no circumstances be before it was served by rail, and had a right to suppose that your contract would be observed. It was not, however, and the railway was not actually carrying passengers through this valley until in the fall of 1914. I suppose we ought to ne penalized for not at once putting settlers on land in which you had no faith, and from which you witheld all transportation for at least four years after the time you had contracted to furnish it. During all the time up to the breaking out of the war, about the only thing you did to assist us in making our land productive was to levy taxes at 4% of the valuation and to have experts write long essays on the prevalence of summer frosts". The letter continues by offering a description of the manner in which the Act(a) was passed through the Legislature and maintains that a sufficient opportunity was not given to receive the opinion of the land owners". The next communication received from this extremely fair and impartial Board(b) came under registered mail and consisted of a notice that our lands, for which we had paid $4.50 an acre 11 years before, upon which we had paid taxes for several years at 4 per cent, and for several years at 5 per cent, had been assessed at the extremely fair and impartial price of about $5.00 an acre on an average. This notice advised us that un-

(a) B. C. Statutes, 1918, Ch. 43 (being act to amend B. C. Statutes, 1917, Ch. 34.
(b) Land Settlement Board of B.C.

less we should irrevocably agree that the Board might buy our land from us at the appraised value at any time within two years from the date of notice, that we should be required to make improvements amounting to $12.50 per acre and to maintain such improvements to the satisfaction of this Board. At this very date a large land company operating at Venderloop, was selling its land at $15.00 to $25.00 per acre and the Government was asking $10.00 all cash for its public lands".

There is a possibility that opposition of the type instanced may contain some degree of justification. It cannot however alter the fact that the land in question had been held for speculative purposes and it is to the Board's credit that it has so far carried out its program in the face of such opposition. Possibly it is true that land speculation was carried out to a greater length in British Columbia than elsewhere in Canada, and that due to the comparative scarcity of agricultural land at productive prices, some action more or less radical had to be taken sooner or later. If so, the sooner the better and out chief criticism of the action of the British Columbia Government is that it was not taken sooner. So far as the plan of forcing idle land onto the market is concerned, there seems no reason why the principle involved could not be as successfully applied in the three prairie provinces and herein consists the main lesson of the British Columbia experiment for other parts of Canada. The principle has been tried and a precedent established.

In summing up the attempts of the British Columbia Government, in so far as they concern land purchasing, we may say that the loaning feature has been of most value during the existence of the Agricultural Credit Commission. As noted above, many of the loans made in that period were for the purpose of discharging previous encumbrances. But it was also noticed that loans for this purpose have been gradually discouraged and that any loans previously made have been chiefly for the purpose of improving land already purchased in order to make it more productive. No doubt indirect assistance in land purchasing will thus be given, but no direct assistance is intended nor is it possible. As for the work of the Land Settlement Board, its chief object in helping farmers to buy land rests in whatever ability it may exercise in lowering land values, i.e. in creating low productive values in place of high exchange values. Its efforts in community settlement may also produce some valuable indirect effects in land purchasing, particularly in the matter of decreasing other costs and thereby making the settler better able to finance the actual land purchase. In the matter of sale terms the Board appears to have laid down some sound policies; but it is yet too early and the agricultural conditions are too adverse for us to formulate any final opinion as to the degree of success to be achieve.

The whole British Columbia experiment is important in that it involves a departure in governmental control on a scale not hitherto attempted in this country and for this reason its results are bound to be carefully watched, and if successful, copied to some degree. For several reason, but particularly from the point of view of financing the undertakings, it seems to us unfortunate that the Government has seen fit to assume full responsability rather than entrust it to some private body. The financial statements of the Board's activities have so far shown a considerable amount of deficits. This can be partly accounted for by the fact that the Board's operations inevitably includes work for which there is no financial return as it is non-revenue producing. A vast amount of investigation work involving considerable expensiture has had to be carried out. There is obviously no means of recovering funds so applied, but the underkating of such work would always be a necessary part of the Board's operations. For example, during the first five years of the Board's life it carried out a complete examination of lands in Central British Columbia, and prepared an elaborate report on each quarter section which might be of future use as a records. All this cost money, as the officials employed had to be paid.

In another way, too, the Board's annual deficits had so far been increased. It has been recognized that the clearin

of timbered lands involve a cost to the settler which may often exceed the value of the land when cleared; therefore, a very low standard of valuation for uncleared land in settlement areas has been adopted. Only a very small portion of the cost of administration can be added for the same reason, with the inevitable results that the financial burden of maintaining necessary local representatives is thrown on the shoulders of the Board, which means the people of the province. The final cause of a large deficit is the provision(a) which provides that an ex-service man who resided in British Columbia previous to the war and who now purchases land from the Board, is entitled to an abatement of $500 from the purchase price thereof. Since the average price of lands in the settlement areas established is approximately $5.00 per acre, (b) it can be readily seen that when such a settler buys a quarter section from the Board, the latter, having paid an average amount to the former owner, is prevented by law from recovering the greater part of its expenditures. It is stated(c) that already a loss of $100,464.30 has thus occurred.

Despite these apparently unavoidable circumstances, it is to be hoped that the main purpose which inspired the legislation and the Board's operations thus far - increased agricultural settlement and production - will in the long run

(a) B.C. Statutes, 1917, Ch. 34, Sec.45.
(b) Annual Rep. Land S. Board, 1922, appendix, p.Z17
(c) " " " 1922 " p.Z17.

so re-act as to greatly overbalance the large treasury advances of the present and in every way prove their justification. If the business interests of British Columbia which are a large if not the dominating factor in bringing about the present experiment, acted with a full realization that present sacrifices would be required in order to promote better conditions in one industry -agriculture - they certainly must have been convinced that such a course was the only one which might in the end react, not only to their own private advantage, but to that of all classes in the Province. But their action does evince an attempt to carry out in practice the Gospel so often preached, that the foundation of Canadian prosperity lies in last resort in the prosperity of Canadian Agriculture.

At the same time we cannot but remark that the possibility of returning to the treasury the amount s already spent to say nothing of making the land settlement experiment and the farm loaning feature a paying proposition, are, to say the least, very remote. Despite the assertion made shortly after its creation (a) that the Board was not a benevolent institution and that its operation would necessarily be conducted on sound business principles, it cannot be denied that the benevolent spirit is still and must long remain evident. If revenue is to result from the Board's operations we feel

(a) Article by Maxwell Smith, Chairman, Land S. Board of B.C. in Agricultural Gazette of Can. Nov. 1917, page 959.

that it must result from long-run benefits to be derived from the undertakings involved rather than from the direct and immediate money returns to the Board. The British Columbia Government must not be regarded in the same light as a private company seeking direct financial profit, but as an agency having for its objective the encouragement and expansion of agricultural production.

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CHAPTER VIII

Financing of Land Purchase in Alberta.

In discussing the methods of Dominion land disposal in was noted that the Federal Government has had and still has full control of the disposition of the Crown lands in the three prairie provinces, Alberta being one of those provinces, it follows that its land areas have so far been alienated in accordance with Dominion regulations. These regulations, already considered, have consisted of the homestead and preemption system, the direct sale of Crown land to individuals and associations, and the indirect sale through railway and land companies. Consequently it will be necessary to dwell further on these methods or the results of their working. What we need here consider for the first time is whether or not any speial efforts have been made in the matter of supplying the capital required by the farmers to pay for the land purchased by them. As regards the lands received by the homestead and preemption system it may be said that in most cases the money required, whether for equipment or for carrying out settlement requirements, has been found by the homesteaders themselves. Most of them went from Eastern Canada, the United States or from Northern Europe, and had some capital of their

own. The samemay generally be said of those who bought land direct from the Government, at least in the years up to the war. The prices of such land were not so high as to cause a very serious burden to be inflicted on purchasers. The chief difficulties in the matter of securing the funds needed to pay for land have been of comparatively recent appearance and are chiefly due to the rapid increase in land values in these hands held by speculators, whether individuals or large companies. Alberta has been particularly subjected to this increase due to peculiarities in the climate of that province. In most of Southern and South-western Alberta profitable agriculture cannot be assured every year except by resorting to irrigation. Irrigation schemes cost money and cannot be developed by any but wealthy individuals or companies. Such companies will not spend large sums in developing their shhemes unless they can recoup themselves in some way, and obviously that way is to raise the value of the land for which irrigation facilities are made available. So that, in the last resort, the expense is thrown on the person who finally purchases the land for use, namely the farmer.

Settlers who have bought the more expensive land in Alberta from land Companies or from others have paid or are trying to pay for it in various ways. Some of them are possessed of much capital of their own secured either by sale of previously owned land or by work in other occupation. More of them

have only enough capital to supply the primary farm equipment and to make the initial payment on the land purchased. These men must pay the balance in one of two ways - from the proceeds of the sale of farm products or by borrowing from some person who has more capital than he needs. Since Alberta is a young province (having entered the Dominion as a province in 1905) it is but natural that it should be heir to conditions common to young countries or provinces. One of these conditions is the shortage of capital for lending purposes. As a province becomes old and well established it necessarily becomes better supplied with capital. If the farming or other business has been at all profitable the more thrifty people (of whom there are always some) will have saved some money beyond their present needs which may be made available for the needs of others. But until a new province has advanced to this stage the capital needed for its development must be supplied from outside its boundaries. Hence, Alberta being still young, is still largely dependent on this outside supply. Comparatively few of its farmers are yet in a position to loan money to their fellows.

For this reason Alberta farmers who have had to borrow to help pay for land have depended on outside institutions organized for the purpose, loan companies, insurance companies and trust companies. These companies loan money which is not so much their own as that of other people held

by them, and for which they will sooner or later have to assume responsability for repayment. Naturally such companies will not loan money thus entrusted to them unless the security is ample and the interest rates profitable. Loaning being their only business, it is necessary that they make a profit from it, and the profit must be derived from a difference in the rate of interest which they pay for the money and the rate which they charge the borrowers. In every case the rate is expected to correspond to the degree of security offered. While such loaning agencies follow the trend of development in new countries, they also lend in the most favorable parts of those new countries. They will also charge chigher rates and advance smaller percentage of the value of the land offered as a security if the loan is made on land a hundred miles from a railway and a town than if near a city and the means of transportation. Consequently, that very people most in need of cheap money, those far from markets, are charged the highest rates.

The farmers in Alberta who had been borrowing from these loaning agencies made so many complaints about the high interest rates charged and the inability of securing sufficient money, that the Provincial Government in 1917 decided to enact legislation enabling it to enter the loaning field.(a) As stated in the preamble to the Act(b), the purposes of the em-

(a) Alberta Statutes, 1917, Ch. 10, Sec. 1.
(b) Alberta Statutes, 1917, Ch. 10.

barkation of the Government in loaning were to provide a means whereby interest rates on mortgage loans might be lowered and equalized, to provide capital for agricultural development in the province, and to provide long-term loans with the privilege of repayment on an amortization plan. The Act provided for the creation of the Alberta Farm Loan Board of at least three and not more than five members who should be appointed and paid by the Lieutenant Governor in Council. Besides this Board, provision was made for a Commissioner of Farm Loans, a provincial auditor, and a valuator. All lands taken by the Board as security for loan had to be free from all prior liens and encumbrances. All loans advanced by the Board were to be for a period of 30 years and all mortgages were to contain a covenant on the part of the mortgagor providing for the payment of 30 equal annual instalments, sufficient to pay the interest due together with such amounts of the principal as would extinguish the debt within the 30 years. All repayments on account of the loan were to be made annually on the amortization plan. The rate of interest charged to the borrower had to be sufficient to pay the interest actually payable by the Board or by the Province on the money realized from the sale of securities or by which the funds for the purposes of the Board were to be raised, the cost of raising such money and the expense of conducting the business of the Board, including the creation of a reserve fund. In addition to the

first mortgage on the land, the Board was given authority to acquire and hold as further and collateral security to loans made by it, chattel mortgages, mortgages on real estate situated any place in Alberta, and security of any kind that it might deem expedient to accept. No loan could be granted for an amount exceeding 40 per cent of the appraised value of the land offered as security and no single borrower might be advanced more than $5,000. In this respect the Alberta legislation appears to reflect a more conservative attitude than has been taken in British Columbia. There 60 per cent of the value of the land may be advanced and single loans may reach the sum of $10,000. The higher land values in the more remote Western province may partly explain this difference. The greater certainty of climatic conditions in that province may also partly account for the higher percentage which may be advanced.

The Alberta scheme is of little use either to the province or for purposes of study owing to the fact thatno attempt as yet has been made to carry it out, nor is there any present indication of such attempt being made. Shortly after the legislation was enacted the United States entered the war. That country, which had previously been the main source of funds of the Alberta Government, ceased foreign loaning, and as the province could not finance itself, the legislation has had to remain a dead issue.

It is probable that since the above legislation was enacted, the need for some system whereby farm land financing may be made easier has been very much increased. There were large increases in the land sales during the war period and during 1919 and 1920. Increase in land sales and land prices coincided with scarcity of money due to the cutting off of the main source of supply, namely, the British Isles, Holland and Denmark. During those years the amount of money borrowed to help to pay for lands was greatly increased. Loan Company managers as early as the middle of 1918 stated that the demand for loans for this purpose had shown a marked increase. One report at thattime(a) stated that the loaning situation of central and northern Alberta in so far as farm lands were concerned showed an improvement during the first five months of that year(1918), the principle feature being financial assistance to purchase more farm lands, the farmer thereby adding to his present holdings. The same report stated that a larger sale of farm lands had been recorded that year than for many years past and at greatly increased prices. Evidence in this report pointed to the too great readiness of loaning institutions to advance money to farmers during these years, the opinion being expressed that it was very questionable whether the

(a) Monetary Times, June 7, 1918, p.38, "Loaning conditions in Edmonton district".
(b) Monetary Times, May 28, 1920, p.18. Statement by Ex-Major Evans, Mgr. Western Canada Land Co. London, Eng.

high land prices then prevailing in many cases were warranted, especially in view of the fact that at the close of the war a reaction would set in which farm produce prices would certainly be affected and automatically also land values. That the land prices of 1918 together with the demand for farm land at that time had greatly increased before 1920 is apparent from statements made by land and loan companies officials in that year. On land company manager stated(a) that land sales for the first four months on 1920 were 50 per cent greater than those in the corresponding period in 1919, and that in spite of the fact that the winter of 1919-1920 was the most severe in the history of Western Canada. He also pointed out that collections were 75 per cent greater in the later year so that, generally speaking, Alberta conditions were brighter than had been anticipated. As an indication that loaning conditions were satisfactory at this time one loan company manager stated(b) that there was a steady demand for loans on improved lands throughout centraland northern Alberta, and possibly more so than the year before. As one of the several important factors accounting for this demand of money, he instanced the purchase of additional lands in order to add to the holdings already created.

Still further evidence of the large turnover of land at increased prices is the announcement by the Department of

(b)Monetary Times, November 17, 1920, p8, article entitled "Two Million from Alberta Land Sales".
(a) See note (b) on previous page (167).

Education[a] that 115,608 acres of wild school lands had recently sold for the gross amount of $2,040,183, or an average of $17.15 per acre. These lands had sold at prices varying from $7 to $70 per acre. The abnormal prices of grain and livestock, together with the Empire's call for more production, was chiefly instrumental in causing this increased demand for land even at the higher prices. When the land purchases were being made there was every prospect that the period of prosperity then existing would continue for some time at least. As a consequence neither the farm buyers nor the companies which advanced their money felt much uneasiness as to the future. Had war prices for farm products continued the farmers in Alberta, as elsewhere in Canada, would have been able to pay for their land, no matter how high the interest rates charged by the loaning institutions were. But when the prices fell, both farm purchasers and lending associations were bound to suffer. Since the depression of 1921, the farmers have been less able to meet payments and the lenders have naturally been less willing to make any new advances.

Perhaps one of the greatest difficulties of western farmers results from the fact that they have purchased too much land. While this may be true of several parts of the

(a) Monetary Times, Dec. 17, 1920, p. 8, "Two million from Alberta Land Sales".

West, it is particularly applicable to those farmers who came to the irrigation districts of Alberta during the past ten or fifteen years. As already explained, irrigated land must of necessity be high priced, and it follows that if the high price per acre be multiplied by a large number of acres, a very large total cost is the result. How important a factor this is in the present difficulty in meeting land payments in Southern and South Western Alberta will appear when it is stated(a) that during the year ending April 1918, practically all of the remaining land under the Alberta Railway and irrigation project was sold and that the Canadian Pacific Railway sold all its irrigated land around Lethbridge, the latest sales being at $65.00 an acre.

More recently it was announced that some special action was being taken with reference to some of these irrigated lands.(b) By the middle of July it was stated that colonization plans in Alberta were about to be drawn up and a land settling scheme set in operation; also that the listing of lands in the Lethbridge Northern district had been completed and a total of about 30,000 acres of improved farm lands thus made available for settlement. According to the same source this work had been going on under the direction of an

(a) Monetary Times, May 24, 1918, page 28, article entitled "Irrigation Farming" by G. R. Marnock.
(b) Monetary Times, July 14, 1922, page 7, article on "Alberta Lands".

irrigation council for some time, and had by that time, (July, 1922) reached the point where it would be possible to proceed with an actual publicity program. Lands listed in this way for sale by their present owners were to be in the hands of the Government authorities exclusively and irrevocably for a period of two years. Nearly all the acreage thus listed then ranged in price from $12.50 to $35.00 per acre. In the case of sale a commission of $2.00 per acre was to be collected by the Government and from the funds so built up the Government was to pay the expenses of an immigration and colonization campaign. It was stated that considerable interest had been expressed in Alberta lands by prospective settlers from the Western States, and the Government officials believed that when they once had the campaign fully under way it would be possible to attract a good number of first class farmer immigrants. The land listing carried on to that time (July 1922) had been strictly confined to the Lethbridge Northern Irrigation District. Whether it has since been extended or whether the previous work of land listing has since fulfilled any of the hope held out for it, we have not been able to find out. It seems more than likely, however, that the extremely poor marketing and price conditions of farm products will have largely discouraged most of the expected farm buyers. And, indeed,

recent press despatches reveal unsatisfactory conditions in many parts of the province, particularly in the high priced irrigation sections. Great difficulties is being found in meeting land payments in spite of the exceptional crop in most of Alberta last year. It has been rumored that many farmers who bought irrigated land from the Canadian Pacific Railway are now demanding new and reduced land valuation as an alternative to womplete abandonment. This may not be a general situation and may be largely a policy of bluffing, but it at least reveals the great difficulty which recent farm purchasers in Western Canada have in trying to pay inflated prices for land out of the proceeds of deflated prices of farm products.

It is probably true to state that the recent farm purchasers of Alberta and Manitoba are the chief sufferers to-day and that it is from them that the most urgent and repeated demands for some special remedial measures in that direction are coming. In the case of the first named province the high prices paid for land in irrigated areas and in that of Peace River District where lack of transportation facilities prevent profitable marketing is the chief factor making for distress; in the case of Manitoba, an additional and fundamental cause is found in the fact of a seemingly endless series of crop failures over ⁄ portions of the pro-

vince. Crop failures are almost beyond human control, but surely something might be done in the matter of land prices. Needless to say, any early practical suggestion will meet with favour on the part of many "victims" who may be forced to "give up the fight" unless some change can be effected.

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CHAPTER IX

FARM LAND FINANCING IN SASKATCHEWAN

Most of the remarks made concerning the disposal of land in Alberta hold good also of Saskatchewan. As provinces, Saskatchewan and Alberta are of equal duration having been recognized as provincial units since 1905. The land in both provinces has been subject to Dominion control and disposal. Saskatchewa, however, being geographically nearer the east, has probably benefited more from the homestead regulations. The western rush during the first decade of the present century was directed more in Saskatchewan than to Alberta. For that reason it is natural to conclude that there are more farmers in Saskatchewan who bought their farms when prices were low than there are in Alberta. Another factor favoring Saskatchewan has been the greater uniformity of climate than in Alberta. While droughts, hail, frost, etc. have been only too common, yet ordinarily the rainfall is more nearly sufficient than in Alberta, and in few, if any cases, has irrigation been employed. For this reason Saskatchewan farmers have not bought any high-priced irrigated land as have their fellows in Southern Alberta, and, consequently, their present financial burdens are to that extent relieved. But Saskatchewan farmers

have been heir to most of the financial difficulties common to new countries. Working capital has been scarce; interest rates on borrowed money high; and in general credit facilities have been inadequate.

By 1913, these difficulties had become strikingly apparent. Agricultural credit was then dear, indiscriminate, unregulated, and to a large extent static. In that year a select commission composed of two members from almost every state in the Union to the South was appointed to investigate the whole question of agricultural credit in countries where definit agricultural credit systems had been tried. This commission decided to work in Europe during and after the meeting of the International Institute of Agriculture which took place at Rome in May 1913. Before it sailed, an invitation was extended from Washington to the various Canadian provinces to send delegates to accompany the American Commission in order that Canada also might secure the benefits of the investigation. Several of the provinces accepted the invitation, among them being Saskatchewan. It was thought that the appointments of representatives from Saskatchewan offered the cheapest, best and most expeditious means for the proper and necessary detailed investigation of European systems of cooperative agricultural credit in the interests of the province. There seemed every reason to believe that

if full investigation of the conditions under which European systems had worked successfully, and a careful comparison of those with Saskatchewan conditions were made, and the task were approached in the right spirit, the principles underlying the successful operation of those systems could be applied to the solution of the same problems in Saskatchewan, and a satisfactory form of organization and method of procedure desired.

Accordingly the Saskatchewan Government in 1913 appointed a Commission to proceed with the United States commission to examine the European systems of agricultural credit with a view to finding ways and means of establishing "cheaper money" for the farmers. This Commission later reported to the Government suggesting a definite plan for loaning money to farmers. This plan was modelled after the Prussian Landschaft system with certain modifications made to suit Saskatchewan conditions, but emboduing most of the cooperative independent features of that system. Almost immediately legislation(a) was framed embodying the outlines of the plan as suggested. By this time, however, the war had broken out and due to altered monetary conditions arising out of it, as well as for other reasons, it was found impossible to put the legislation into effect But as the need for some better

(a) Saskatchewan Statutes, 1915, Ch. 37. See also ibid, 1913, Ch. 62.

credit facilities grew ever more urgent, the Government in 1917 enacted the Farm Loans Act(a), to take the place of the former legislation. The earlier plan depended for its successful working on a large measure of cooperation among the farmers. It was found that the cooperative spirit was not yet sufficiently developed in rural Saskatchewan. And since for this reason it seemed to be beyond the ability of the farmers' organizations to solve the problem alone, the Government decided to step in and render assistance. Under the Farm Loans Act, a system of long-term credits was provided for, and a Farm Loan Board established. This Board consists of one Commissioner and two members all appointed by the Government. The Commission, who is the real manager of the institution, is the only slaried official. The Board if empowered to do all the business connected with lending money on farm property and to take first mortgages on farm property as security for loans.

As to the nature of the loans to be advanced, all loans are made for a term of 30 years and on the security of a first mortgage on the farm. Although no maximum for any individual loan is stated, no loan can be made for an amount greater than 50 per cent of the valuation of the property offered as security. Although the period of all loans is set

(a) Saskatchewan Statutes, 1917, Ch. 25.

at 30 years, provision is made whereby the borrower may pay off the loan at any previous time, and may make a payment larger than the payment next due if so desired. The 30 years period is intended merely to facilitate the administration of the scheme, and so far as the borrower is concerned, the fixation of a 30 year term is a matter of indifference to him since he can pay off his indebtedness whenever he is in a position to do so.

Borrowers may obtain abvances for a variety of purposes, but it is intended that productive or improvement purposes will meet with the greatest favor of the Board. It is provided, however, that the Board may, in cases which meet with their special approval, make loans for the purchase of land for agricultural purposes. Since financing of land purchase forms the substance of our study, the provision herein noted is of special significance. It is equivalent to saying that loans granted by the Saskatchewan Farm Loan Board for the ourpose of prchasing land are to be the exception to the general rule. The Farm Loans Act is not so much designed to encourage farmers to mortgage their holdings as to assist them in spreading out their present burdens so that they may be more easily borne. It is also intended to assist new settlers in cases where it is found difficult to get a start on

the land without raising a loan on the security of the property; and it is thought that a long term loan will be found much less burdensome to the pioneer than the usual short term loan with its higher interest rate and many incidentals, such as legal fees, uncertainty of renewals, etc. All loans are to be repaid on the full amortization system, there being 30 equal payments of combined interest and principal.

In order to supply the working capital of the Board, it is provided(a) that all money so required may be advanced to the Board from time to time by the Provincial Treasurer acting under the authority of the Lieutenant Governor in Council. The latter may authorize the provincial treasurer to raise by way of loan upon the credit of the province any amount of money not exceeding $15,000,000 and for that purpose to issue bonds, debentures, inscribed stock or such other securities of the province as he may think advisable. Any money so raised may be borrowed for any term not exceeding 40 years and at any rate of interest decided upon by the Lieutenant Governor in Council, and shall be raised upon the credit of the Consolidated Fund of Saskatchwaan and be chargeable thereon. All advances made to the Board by the provincial treasurer must be made upon such terms and conditions as are determined by the Lieutenant Governor in Coun-

(a) Saskatchewan Statutes, 1917, ch. 25, Sec. 21-24.

cil and the Board may execute any bond or other instrument which the Lieutenant Goverbor in Council may deem necessary for the purpose of securing the repayment by the Board of the money advanced. The first mortgages received by the Board are to be handed over to the provincial treasurer at least equal in value to and as security for the loans, and the bonds or other securities issued by the Treasurer for the Board's purposes must not exceed the aggregate of the mortgages held by the Board.

The rate of interest which the farmer borrowers are to pay has not been definitely fixed, owing partly to the fluctuations common to the money markets, but chiefly because the Government's primary object in introducing the legislation was to reduce the rate of interest whic farmers were paying to other agencies at the time. All loans are advanced subject only to overhead charges of administration and it was expressly stated(a) that no attempt need be made by the Board to earn a profit. At the time the legisla - tion was introduced the view was commonly held that interest rates prevailing were as high as they were likely to go. The rate was then fixed at 6 1/2 per cent. At that rate and by operating on a 1 per cent margin, the Government figured that it could loan at a rate 2 per cent lower than the private

(a) Bulletin No. 47, issued in 1917, entitled "Cheaper Money for Saskatchewan Farmers"

loaning agencies were then charging. It was then prophesized that the future would see cheaper money available with a consequent lowering of the interest rates even from this 6 1/2 per cent level. And it was estimated that if Saskatchwan farmers could borrow for 2 per cent less than the rates prevailing when the Act was introduced, they could, by making their payments on the amortization plan, dicharge their total indebtedness in about 24 years time by simply continueing to pay in combined interest and principal payments what they were then paying for interest alone. As an instance of the nature and extent of the benefit which it was expected would be derived from the system, ley us consider a specific case(a). Suppose a farmer owned a quarter section with, say, 80-100 acres under cultivation. The money he would have borrowed on his farm would probably bear interest at 8%, altho it might be 9% or higher. The usual terms of repayment of a loan of say, $1000 would be $50 of principal each year for 4 years and the balance at the end of the 5th year. When he signed the mortgage for the loan company, five years would seem a long time and the final payment far away. A big crop would be expected, that bumper crop which was due last year and the year before, but is going to come next year for sure to pay off the mortgage and all other debts. It would come occasionally, but usually

(a)This example is taken from page 6 of Bul. No. 47 referred to in foot note (a), page 180.

the fifth pay day, when the mortgage would be due would come wuthout the mans to pay it. But whether the big crop came or not, every fall would bring pay day and the mortgage company's notice reminding the borrower that $114 or more was due, $64 for interest and $50 to reduce the capital. In other words, in each year for 4 years he would be asked to pay $114 (or more if he should let his principal get into arrears) and $800 on the fifth, whileunder the Saskatchewan Government system he would have to pay on the same amount of loan (provided the rate of interest did not exceed 6 1/2%) for both principal and interest not more than $76.58 per annum, which would be little more than his interest payment under the old system, and at the end of thirty years the amount of the original loan would have been fully repaid.

But while the Government system was held to possess such possibilities for the borrower, the warning was issued(a) that no such benefits could be bestowed unless the borrowers did their part by meeting payments promptly, and that unless they did so the organization would break down in a very short time. Let us examine this warning in the light of several years experience of the Board's operations and see whether or not it was well founded.

Saskatchewan's Farm Loan Act became low on May 1, 1917, but in view of the approach of the provincial elections, the Government announced that no applications could be accepted until fater the elections had been held. The election

(a)Same reference as in foot note (a), p.180 and (a)p.181

date was June 26. Since that date the Farm Loan Board has been open for business[a]. For the meeting of the financial requirements of the Act, the Government decided to offer a Bond issue to the people of the Province to be known as the Saskatchewan Greater Production loan. The Bonds were to be issued in denominations of $20, $100, $500 and $1000, bearing interest at 5% per annum, payable half-yearly, and to be redeemable at par, at any time on giving three month's notice to the Provincial Treasurer.[b] The money raised in Saskatchewan by the sale of Greater Production Bonds (more commonly known as Farm Loan Debentures) amounted at Dec. 31, 1918, to $1,343,820. Also about $66000 was subscribed to bonds outside of Saskatchewan. In addition the Dominion Government offered a loan of $1,000,000, half of which sum was advanced.[c] On all the bonds sold the rate of interest carried was 5%. The 1918 report of the Board gives the following information:

Number of applications for loans from Board's inception	4,516
Value of applications for loans from Board's inception	$9,388,177.89
Applications refused	1,735,783.
Applications approved	3,079,200.
Amount actually paid out	1,758,366.77

The second report issued, that for the year ending Dec. 31, 1918, shows the following:

Number of applications for loans	1,360
Value of applications for loans	2,812,449.89
Number of loans paid out	893
Value of loans paid out	1,539,051.61

(a) All above figures and dates from an article in Agricultural Gazette of Can. Nov. 1917, p. 958.
(b) Same reference as above.
(c) Sessional papers, Sask. 1918-19, rep. F.L.Board, 1918.

The Report makes several comments on the loaning conditions as well as regarding the Board's financial position. Among them is a statement that there was a net loss on the Year's operations of $3,378.20, that there was a deficit of $13,388.43 carried forward from 1917, making a total loss from the beginning of $16,766.63. Despite this fact, a very optimistic attitude towards the future was taken by the Board. It felt assured that since the War had ceased, it would be an easier matter to secure loaning funds than was the case under war conditions. The hope was expressed that during 1919 the Board might be able to double its investments and to earn more than enough to cover its operating expenses for the year, and the prediction was made that by the time the investments had reached the $5,000,000 mark the deficit would be largely reduced if not entirely wiped out. Commenting on the ability or otherwise of the farmers to meet payments on Loans, the Board claimed that the drought of 1918 had made it impossible for some borrowers to meet their obligations and that in several cases an extension of time to November, 1919, had been granted in consequence.

The next year's report(a) (that for 1919) gave evidence of sustained activity of the Board:

Number of applications received.....	2170
Value of " "	$5,295,731.85
Number of loans paid out.....	1020
Value of loans paid out.....	2,012,940.04
Bringing the total advance to.....	3,801,306.81

(a) Sessional Papers of Sask. Number 36, 1919-20.

It was stated, however, that the revenue had not only paid all expenses, but had given a surplus on the year's operations of $10,811.35, thereby reducing the total deficit to $5,955.28. The report for the year ending Dec. 31, 1920[A] showed

Number of applications for loans.....	885
Value of new applications for loans.....	$8,526,913.90
Number of loans completed and paid out.....	992
Value of loans completed and paid out.....	2,372,222.98
Bringing the total advance to over.....	6,000,000.

For the year 1920, the revenue paid all expenses of operation and paid off the deficit carried forward from 1919 and left a net surplus of $24,547.07 to be carried forward to 1921. Considerable loss was reported to have been suffered by the Board for inspection expenses and for legal expenses incurred on behalf of applicants for loan who afterwards neglected or refused to reimburse the Board for its disbursements, and the opinion was expressed that in future it might be found necessary for the Board to require a deposit from each applicant in order to lessen the loss thrust upon them in this way. Dissatisfaction was again expressed regarding the year's collections. Poor crops in some cases rendered it impossible for borrowers to meet payments, but a worse feature was the fact that in many cases borrowers yielded to the temptation to use their crop returns to pay off their bank loans, machine noted, etc. on which they paid rates up to 12%, in preference to paying off the Board's claim at 6 1/2%. In spite of such

(a) Sessional papers of Sask. 1921-22 Report, Farm Loan Board.

action by many borrowers, a number had met their due payments to the Board.

From the Report of 1921(a) the following facts appear:

Number of applications received.....	1644
Value of applications received.....	$3,984,508.00
Number of loans completed.....	662
Value of loans completed.....	2,099,586.33
Advances to well over.....	8,000,000.

In June of 1921 the Board was obliged to notify all applicants for loans whose properties had not been inspected (over 1800 in number) advising them than the supply of funds was exhausted and that inspection work had been stopped and that it was very uncertain when loaning could be resumed. It was then hoped that the fall collections might be sufficient to enable the Board to continue lending on a small scale, but such hopes were largely dispelled due partly to crop failure in some districts, to damaged crops in other sections, to excessive threshing costs, and to sudden drop in farm products prices. At the end of the year 1921, the Board's books were closed with an overdraft at the Bank and with no money in sight for further loaning. The following table encluded in the 1921 report, illustrates the growing difficulty experienced by the Board in carrying on its work, and also either increasing hardship experienced by farmers in meeting their obligations or their increasing reluctance to deal fairly with the Board. The Table shows the percentage of total interest

(a) Sessional Papers of Sask. 1921-22, Rep. of Farm Loan Bd.

due, collected, including the arrears fro preceeding years.

Year	ending	Dec. 31, 1918,	paid	80%,	accrued & payable.	
"	"	Dec. 31, 1919,	"	58%	"	"
"	"	Dec. 31, 1920,	"	46%	"	"
"	"	Dec. 31, 1921,	"	37%	"	"

In spite of this fall in interest payments, the 1921 Report shows that in that year the Board's revenue covered its operating expenses as well as depreciation and left a surplus of $53,598,99 in the year's operations.

The 1922 Report(a) indicates a distinct slackening in the Board's activities.

Number of applications for loans.....	415
Value of applications for loans.....	$1,450,368.
Number of loans completed.....	97
Value of Loans completed.....	361,120,36

most of them having been accepted by the Board in 1921 or earlier.

This falling off both in the number of applications for loans and in the number of advances made was due largely to the Board's inability to secure loanable funds. During most of the year it was out of funds and its books were closed at the end of the year with an overdraft at the bank of $35,000. Moreover, a number of the borrowers had abandoned their farms and at the end of 1922 the Board acquired title of nineteen farms either through transfer or by foreclosure. One property had been sold at auction for the amount of the Board's claim.

As a summary of the financial standing and success of the Saskatchewan Farm Loans Board, the following figures are convincing:

(a) Ses. Papers of Sask. 1923 (Rep. of Farm Loans Board.

EXHIBIT NUMBER 141 (a)

The total amount due to the Saskatchewan Farm Loan Board for interest as of 28th February 1923, is $509,554.46 and the years for which the interest remains unpaid are as follows:

1918.....	$	1,986.04
1919.....		21,547.27
1920.....		63,011.10
1921.....		143,576.23
1922.....		279,433.82
Total.....		509,554.46

EXHIBIT NUMBER 142 (b)

Foreclosures taken to Dec. 31, 1922 - By transfer		3
" " to Dec. 31, 1922 - by proceedings		16
" " since Dec. 31, 1922, "		8
" " " Dec. 31, 1922 By transfer		1
Total..... Apr. 30th 1923		28

Five parcels have since been sold, leaving 23 parcels in the name of the Board at April 30th, 1923. Those 23 parcels contain 33 quarter sections. Forty-seven loans were in solicitors hands for foreclosure or transfer covering 73 quarter sections. Fifty new loans were closed between January and April 30 1923. In addition to the interest charges unpaid, there was overdue at April 30, 1923 (c) $116,154.92 of the pricipal payments; $19,136.96 of mortgage charges, mainly fire insurance premiums; $50,832.70 of seed grain advances; $11,429.20 of hail insurance, and $268,221.69 of taxes.

(a) Submitted on May 7, 1923, by C. Fraser, Com., Sask. Farm Loan Bd. to Special Committee, app. by Fed. Govern. to inquire into Agricultural Conditions page 1739.

(b) Same reference as preceeding, page 1738.

(c) Exhibit No. 140, same as preceeding, page 1738.

From the foregoing figures one is almost forced to take a rather gloomy view of the future prospects of the Saskatchewan Farm Loaning Scheme. In spite of the warnings issued when the Board first took office to the effect that the ultimate success of the scheme depended on the farmer borrowers, the latter have apparently let the warning go unheeded. The temptation to pay off a debt bearing interest at 8 to 12% rather than one at 6 1/2% is naturally very great, but it is one which if yielded to, must mean either loss to the Board or foreclosure to the borrower. It is extremely unfair to those many farmers who have loan applications waiting to be dealt with, that those already given loaning privileges should neglect to meet their payments to the Board, choosing rather to pay other creditors the money which the Board, owing to its first mortgage provision, is legally entitled to. But in spite of all reasonable efforts to collect, the Board is very greatly disappointed with its success in that respect to date. It would seem that since the Board holds a first mortgage, its rights should be regarded by borrowers as prior to those of other creditors. Notwithstanding, many borrowers have choosen to give the proceeds of their crops to those other creditors and letvthe Government go unpaid. Some of them have sought to defend their action on the ground that they were in duty bound to pay their unsecured creditors first, because the Board, having a greatersecurity in the form of the first mortgage, could better afford to wait for another crop.

In his evidence before the Special Agricultural Committee appointed last year by the Federal Government, the Commissioner of the Saskatchewan Farm Loan Board stated that it had been the Board's experience that borrowers had shown a tendency not to pay the Board the first year. Upon being asked his opinion in regard to a hypethetical case cited, he stated that in his opinion borrowers would not pay an implement company which charged them 6% interest before they would pay the Government if that government charged them 12%, but that if both a loan company and the Government charged them the 12% rate, the borrowers would invariably pay the loan company in preference to the Government. He went even further and give it as his opinion that farmer borrowers would pay a loan company which charged them only 6% before they would pay a Government which charged 12%. The Commissioner's opinion was founded on the belief that farmers would first pay the loan companies because the latter had educated them to the point where they realized that payments had to be met. It certainly is a fact that the farmers' experience with private loaning institutions for the past 25 years has taught them that strict obedience to the terms laid down by those companies is absolutely imperative. On the other hand, people, including farmers, are seemingly inclined to regard the Government as an inexhaustible reservoir from which

(a) The Commissioner, Colin Fraser, gave evidence before the Special Committee at Ottawa on May 7, 1923.

they can take all and to which they need return nothing. This was the case in Saskatchewan. There the Farm Loans Board's experience has been that the first year's instalment of the loan had generally had to be carried over, that the first year the farmer disregards the Board; but that after the fact that he must pay is rather forcibly brought home to him, he loks upon the payment as a claim that has to be met just the same as any other. This attitude of the farmer toward the Government - the failure at first to realize that the Government loan is a business proposition and not a free gift - will continue to influence the Board's success at least as long as there are new farmer borrowers to be educated to the truth. This difficulty consitututes the great inherent weakness of all Government loaning shhemes. Too much, however, should not be made of this factor in the success or failure of the Saskatchewan scheme, to the exclusion of other factors. In spite of one official's belief that farmers would in almost any conceivable case pay loan and oher company debts before Government debts, it is not at all certain that such a result would necessarily follow. no means of verifying the invariableness of the truth of the statement is at hand since the difference in interest rates in the two kinds of loans gives an unfair preference to the private loans. But no matter how well-intentioned a borrower may be, no one will deny that it takes more than ordinary will-power and obedience to the dictates of conscience for a man to

give the only $200 he has to a Government which charges him only 6 1/2% interest, when other previously incurred debts bearing interest at 12% are awaiting payment. Disregarding the fact of whether his act is right or wrong, it surely looks a better business proposition to get rid of the debt bearing the higher rate of interest. It cannot be denied, however, that not only farmers but people in all classes look upon the Government in a very different light from that in which they view private agencies. The Government is to the borrower almost what a father is to a helpless dependent child. The child shrinks in fear from the teacher (a loan company is to the borrower as a school teacher is to a timid child) simply because it has been taught and led to believe that the teacher demands obedience first of all. And as the child which the teacher has chastised often appeals to the parent for sympathy, so that farmer, who thinks he has been unjustly treated at the hands of the loan companies appeals to the Government for special consideration. In the case of the scholar, if the fond parent takes his child's part to the extent of condemning the teacher's action, he is only inviting further trouble for both himself and his child. But if the parent, still anxious for the welfare of his child, upholds the teacher's action and makes it evident in every way that he is in entire sympathy with that action, then the child will be much more apt to obey both the teacher and parent in future. From the teacher the child expects little consideration and gets little. From the parent it expects much and gets much.

From a loan company a farmer has learned to expect little leniency and gets little. From the State he expects much and, unless the State takes the part of the stern parent, both it and the farmer borrower will ultimately suffer.

The disinclination of the borrower to meet payments may be cited as one factor making against the success of a Government scheme, and one which so far has hindered the progress of the Saskatchewan experiment in farm loaning. The second main factor tending in the same direction may be styled the inability of the borrowers to meet payments. It is grossly unfair to condemn any system of Government farm loaning on the record which any such system may have been able to make during the last few years. Government loaning institutions are not alone in being unable to collect arrears of principal and interest. Every class of financial agency which had been depending on the prosperity of the rural population for its success, has met with grave difficulties and has had to make special provisions and readjustments of terms. It may be, therefore, that under the abnormal circumstances, the record of the Saskatchewan Farm Loan Board to fate has been one of fair success. The big objection to any failure of such a Board is the fact that such failure involves a loss to the taxpayers throughout the province and not only to the comparatively few shareholders who compose a private company.

Another factor which tends to a higher percentage of loss on the part of the Government than of a private loaning agency

is the fact that part of the Government idea was to loan to those backward parts of the province where the loaning institutions refused to loan. There is no single company which has loaned in all parts of Saskatchewan at any time, to say nothing of the past few years.(a) Probably the Credit Foncier and the Canada Permanent lend the most generally. All loan companies cease lending in the backward parts whenever lean years threaten and resume again when the temporary scare has disappeared. But whether the year is lean or fat, the Saskatchewan Board has loaned everywhere just so long as any funds were at its disposal. It has tried to carry on over the lean years after which the loan companies will probably come back. In this respect at least the loaning institutions cannot accuse the Government of interfering with their business. For the same reason the Saskatchewan Board has been unable to effect any appreciable reduction in the interest rate charged the farmer the primary object for which it was created. If it had confined its efforts to the areas in which those companies loaned, that object might have been better attained, even though greater hostitlity on the part of the other lending agencies would have been encountered. It is suggested, however, that had the Saskatchewan Farm Loan Board not been in existence, the other lending agencies would probably have charged a higher rate than they have done. This suggestion is not without a possible

(a) Statement made by C. Fraser in course of his evidence before the Special Committee on Agricultural conditions, to be found page 1929, of Committee's report.

sound basis of truth. But the lack of funds of the Board which has caused new loaning to practically cease for the past two years, has largely destroyed its effectiveness as a competitive agent in the loaning field, as well as minimizing its possible benefits to Saskatchewan farmers.

In summarizing the value of the Board in assisting farmers to pay for land, it is well to remember that the Act(a) creating the Board indicated that only in exceptional cases would loans for this purpose be considered. There is no way of arriving at the exact proportion which has been loaned to help purchase of land as no classification of the loans based on the purposes for which they have been advanced has been made. Probably fewer loans were made for this purpose during than since the war(b). While the war lasted the Board gave the preference to those who wished loans for the purpose of increasing thin cultivation of increasing thin stock so as to increase production, and most of the loans at that time were made to homesteaders who were remote from the railways and who required loans to clear and break up more of their land. In answer to the question put by a member of the special committee on agricultural conditions, the Commissioner of the Saskatchewan Farm Loan Board stated that he thought 3/ of all the moneys advanced has been used to wipe out debts bering high rates of interest.

(a) Saskatchewan Statutes, 1917, Ch. 25.
(b) From a letter dated Jan. 21, 1924, written by C. Frase Com. Sask. FarmL. Board.

In considering a loan for the acquisition of land the Board has always considered the applicant's capacity to handle more land.(a) If he has only a homestead and wishes to purchase an additional quarter section, the Board has always approved of such acquisition of land and has made loans if the security was deemed sufficient. On the other hand, if the man who already had, say, from four to five quarter sections, not too well improved wished to buy more land, the Board has not been inclined to favor the acquisition of further land bu such applicants.

With regard to the amount of the advance for this purpose, the Board has usually restricted the advance to about 40% of its own valuation of the land offered as security, but occasionally has advanced as high as 50% when the land appeared to be purchased at a reasonable figure and the applicant appeared capable of making a success of the purchase venture. As a rule, loans for the purpose of purchasing land are a larger percentage of the security offered than loans for other purposes, thus indicating the Board's belief that the additional land to be purchased will offer the best guarantee of safety. In some cases where the loan has not been sufficient to pay the balance of the purchase money the vendor of the land has accepted a second mortgage for the unpaid balance. This is made necessary because of the Board's inability to advance on any but first mortgage security.

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(a) See footnote (b)on page 195.

CHAPTER X

FARM LAND FINANCING IN MANITOBA

Manitoba being an older province than either Saskatchewan or Alberta, contains a larger proportion of farmers who had acquired their land prior to the rise of land values of the last few years. In common with the other two provinces, however, Manitoba still possesses large areas of unsettled agricultural land, and also large areas which have been purchased during and since the war. Most of Manitoba's present troubles in regard to farm land financing relate to those more lately purchased lands, and are due not only to the sudden fall in farm produce prices but also to a seemingly endless series of poor crops in some sections of the province.

It might be expected that, since Manitoba has reached a stage in settlement not yet attained by the other prairie provinces, the decrease in the interest rates on mortgage loans which usually accompanies settled conditions, might result favorably to her farmer borrowers. To a certain extent that expectation has proved correct, the average rate of interest charged by loaning organizations in Manitoba being from one half to 1 % less than further west. That the interest rates have not been considered low enough may be inferred from press discussions of several years ago, and from the fact that the provincial Government finally decided to enter the

loaning field with a view to giving farmers money at decreased rates. The following resolution adopted by the Manitoba Grain Growers in Convention at the beginning of 1916 will serve as specific evidence of the attitud prevailing among the farmers of the province regarding the interest rates charged by loaning agencies[a]. "Whereas as the agricultural industry in Manitoba has to pay a higher rate of interest on borrowed capital than any other industry, and whereas Australia and New Zealand, cour tries with agricultural conditions and settlements somewhat similar to what we have in Manitoba, have adopted a system of supplying capital for the development of the agricultural industry at a low rate of interest and long terms of payment with marked success, therefore be it resolved that we urge the Manitoba Government to adopt a system of direct agricultural credit based on the system in force in West Australia and New Zealand." The above resolution indicates not only the wide spread dissatisfaction with the interest rates charged at the time by loan companies, but also the type of remedy thought suitable for curing the ailment. Additional evidence that the subject of rural credits was being actively discussed at that time (January 1916) and that the farmers' demands were meeting with considerable sympathy is the following statement of Hon. Edw. Brown, the then Provincial Treasurer of the province.[b]

(a) From article in Financial Post, January 15, 1916, entitled "Rural Credits in Manitoba".
(b) From article entitled "Rural Credits in Manitoba" in Monetary Times, Feb. 18, 1916, p. 34.

After stating that he does not think that legislation regarding rural credits will be enacted in the session of the Legislature then being held, the Provincial Treasurer says: "In the interim between this session and the next an exhaustive enquiry will be made. The current rate being paid by our farmers at the present time is too high, and unless the loan companies change their attitude I have not the least doubt that the Government will decide to deal with the situation. It seems hard to understand why, when farmers in Ontario are borrowing money at 5 1/2 and 6% , although in a few isolated cases, where the security is very choice, money can be obtained to-day at 7%. In accordance with the promise made in the above statement a legislative committee headed by Premier Morris, was appointed by the Manitoba Cabinet to investigate various systems of rural credits for the purpose of presenting to the next session of the Provincial Legislature a concrete proposal(a). That Committee's recommendations were embodied in the Manitoba Farm Loans Act(b) passed in the regular session of 1917.

The Act created the Manitoba Farm Loans Association to act as the loaning agent between the Government and the farmers The business of the association is conducted by a Board, known as the Manitoba Farm Loans Board, which consists of five members all appointed by the Government. The chief member of the Board is called the Commissioner of Farm Loans, and of the

(a) Monetary Times, May 19, 1916, p. 28.
(b) Manitoba Statutes, 1917, Ch. 33.

other four, one member may be nominated by the Union of Municipalities of the province and one by the Grain Growers' Association. The funds necessary for carrying out the purposes of the Act must consist of such moneys as may be raised under the Act and such other moneys as may from time to time be provided by the Legislature for the purpose. The Associations capital stock was to consist of $1,000,000 divided into 200,000 shares of $5 each. None but borrowers and the provincial Goverrment may own any shares in the Association, but provision was made whereby the province may subscribe and pay for as much as 50% of the full capital stock, and may advance to the Association a sum equal to the remainder of the whole paid up capital. For this purpose a sum of $1,000,000 was especially appropriated and authorized by the Legislature. All borrowers from the Association must subscribe for shares of the Association's capital stock to the extent of 5% of the face value of the loan applied for; and such shares so subscribed muct be paid in cash when the loan is granted or an amount equal to their value deducted from the amount of the loan. When the loan is paid back these shares subscribed for by the borrower are surrendered and paid off at par. All loans made by the Association must be secured by first mortgages on farm lands and every mortgage must contain a specific agreement to repay on the amortization plan. There is no permanent rate of interest, it being one of the main objects of the

system to reduce the rate if possible from time to time. It is provided that the rate to be charged at any time will be such or will be sufficient to pay the interest on the securities issued by the Government to provide the loaning funds, in addition to 1 per cent per annum contemplated as the amount necessary to conduct the business. All loans are made for a 30 year period but a loan may be paid off at any annual payment date at or after the end of five years from the time it is granted. The amount which any single person may borrow must not exceed 50% of the Board's estimated value of the land mortgaged, together with the value of the improvements upon the land or those to be effected out of the proceeds of the loan. In no case, however, may any single loan exceed $10,000. Loans may be made for the purpose of acquiring land for agricultural purposes and for the satisfaction of encumbrances already existing on land used for such purposes; for the purpose of clearing and draining land, for the purpose of erecting farm buildings, in order to buy stock and implements, to discharge liabilities incurred for the improvement and development of land used for farming purposes, or any purpose calculated to increase land productiveness. Should the borrower apply his loan to any other purpose than those here listed, the Board may demand its immediate repayment with interest.

When borrowers make payments on their loans, that portion of each payment consisting of interest must be credited to the

Association's revenue fund and form a part of its cash assets out of which interest on the bonds and securities issued by the Association may be paid. The remaining portion of the payment must be credited to a reserve fund account, out of which the expense of conducting the business of the Association may first be paid before any profits are distributed in the form of dividends on the shares. That part of the payment consisting of principal must be transferred to and kept in a sinking fund account, to provide for payment when due of the pricipal of the bonds and securities issued by the Association, which account must be kept entirely separate and distinct from all other accounts and funds of the Association.

The necessary loaning funds have been obtained in various ways. To begin with, the Provincial Treasurer made a contribution. Then the Board was given power to raise capital from time to time by the issue and sale of bonds, stock or other securities in a form approved by the Lieutenant Governor in Council, up to any amount not exceeding at any one time 90% of the amount of the first mortgage securities held and tendered by the Association as collateral security for such issue, or in the aggregate a sum greater than $9,000,000. In the case of all such issue the Government guaranteed both principal and interest. Finally the Association was empowered to receive deposits of money and to perform the functions of a depository for any provincial, municipal or school district funds. This last feature, however, was withdrawn in 1920 by the establish-

ment of s separate Provincial Savings Office which took over all provincial deposit business.

Since the neactment of the original act several amendments have been made. For example, in 1919[a] it was enacted that in future the rate of interest on money borrowed by the Board should not exceed 6% per annum. The same amending Act repealed the former provisions,[b] relating to the disposition of instalment payments and substituted provisions whereby that part of each charge which consists of interest must be credited to the interest account of the Association, to which account shall be charged all interest payable and accrued on the securities issued by the Association. The balance of interest earnings must be carried to the profit and loss account, to which account also is brought all expenses of conducting business of the Association. Any money which may remain on profit and loss account is to be disposed of subject to the Government's approval. That part of each charge which consists of principal is to be credited to the mortgage loan principal account. When payments are received from borrowers, the funds must be deposited in the general bank account of the Association. Out of this bank account all the costs incurred in carrying on the affairs of the Association, including interest on the securities issued and distribution of dividends, are to be paid, and any balance which may exist to be disposed of as seen fit by the Lieutenant Goverbor in Council. All the above amendments were made to

(a) Man. Statutes, Ch. 34, Sec. 3.
(b) Man. Statutes, 1917, Ch. 33, Sec. 49.

take effect from March 9, 1917 as though they had formed part of the original enactment.

In 1921[a] the amount of share capital of the Association was reduced from $1,000,000 to $550,000 and the "words capital" stock replaced by the words "share capital". At the same time provision was made for the increase of the interest rate on loans from 6 to 7%. These later changes indicate the Association's difficulty in securing funds at as low rates as originally contemplated.

Evidence of the payments on loans made by the Association being in arrears is seen in the Government's action in 1922.[b] The Act[c] had provided that when an application for a loan was granted, the applicant should become the owner of one share of the capital stock of the Association for each $100 of the amount of his loan, or any fractional part thereof. Such share or shares were to be paid off at par and retired out of the Association's funds when the loan was paid in full, but until such loan was so paid off they were to be held by the Association as collateral security for the payment of the loan, the borrower being paid only any dividends which might become payable on the shares in the meantime. The 1922 amendment changed these regulations by adding the following: "Notwithstanding anything contained herein the Association may at any time pay off and retire as aforesaid the whole or any part of the shares so held by them as collateral security to such loan, and may in

(a) Manitoba Statutes, 1921, Ch. 23.
(b) Bill No. 59, 1922 of the Man. Gov. entitled "An Act to amend "The Man. Farm Loans Act".
(c) Man. Statutes, 1917, Ch.33, Sec.30.

of such shares together with any amount

its discretion applyt the amount standing to the credit of suhh loan whether the shares are held by the borrower or by a transferee."

Evidence of further inability to meet loan payments and that such inability was resulting in foreclosure proceedings on the part of the Board and of the Board's inability to dispose of the land subject to such actions is seen in additional regulations enacted in 1923.(a) By those regulations, the Board was empowered to provide, in cases where title to land was held by the Association, for maintaining the land, buildings and appurtenances in good condition, cultivating, cropping and improving the same if considered advisable and for payment of taxes due or accruing due thereon and premiums of insurance against loss by fire, by hail or by cyclone, wind storm or tornado. Another section of the new regulations provided that whereas the Board had originally been empowered to raise capital by the issue of securities up to 90 per cent of the amount of the first mortgages held by the Association as collateral security for such issue of capital, it might now increase the percentage which it might so raise to 95% of the total value of the mortgages held. This provision would seem to indicate the Associations inability to secure sufficient loaning funds by means of the earlier provisions.

The earlier available report of the Association's work is

(a)Bill No. 124, 1923, of the Man. Governement entitled"An Act to amend the Manitoba Farm Loan Act".

that for the year ending November 30, 1918[a]. That report states that although the Act was passed on March 9, 1917, no money was paid out on mortgage loans until June, as some time was required for the work of organization. For organization expenses the Government granted the Association $10,000 of which $2,768.78 remained unexpended at November 10, 1918. During the first 21 months 1759 applications for loans were received aggregating $5,136,862.00. These were disposed of as follows:

Loans paid out 766.....	$ 2,000,950.00
Applications accepted, 183.....	623,400.00
Applications on hand, 50.....	117,200.00
App. declined and withdrawn, 766....	2,393,312.00

From this analysis it is evident that the number of loans granted bore a small proportion to the number of applications received. This is accounted for by the fact that in the earlier months of the Association's working, it was flooded with applications many of which were not worth the expense of inspection.

The money loaned was used to pay off prior mortgages, to obtain title, to buy adjoining land, to erect buildings, to pay for seed grain liens and to purchase farm implements. This first report stated that as the object of the Act was "to foster and encourage agricultural development" a certain amount of sympathy had been extended by the Board to applicants living in the more recently opened districts of the province. No such sympathy would have been shown by any ordinary loan com-

(a) Man. Sessional Papers, 1919, Rep. of Man. Farm Loan Association.

pany, and while it is desirable to foster agriculture on a sound basis in newer areas, it is just this sort of special treatment, this paternalism that is one of the great dangers of Government loaning schemes. As to its methods of securing the loaning funds, the report stated that the Victory Loan issues of 1917 and 1918 had precluded any extensive efforts on the part of the Association itself for an active campaign for funds among investors, so that it was left very largely dependent upon the provincial Government for the necessary loaning money. This money was obtained as follows:

Bonds 5%	
Manitoba Government Telephone Commission...	$ 1,000,000
Manitoba Government Treasury Dept.....	600,000
The Public.....$185,220.	
Less redemptions of bonds $48225.....	136,995.
	$ 1,736,995
Deposit certificates	25,350
	$ 1,759,345.

In the capital stock of the Association, the province had invested $100,000 and the borrowers $99,890. That payments were satisfactory seems clear from the statement that in spite of bad crops in 1918 in some sections, the arrears amounted to only $1200 anof this $900 represented amounts owed on loans on which extensions had been granted by the Board on account of crop failure. The expenses of operating the business for the first 21 months were $20,541,41 and from this figure the Board felt assured that the 1% operating margin would prove ample.

It has not been possible to secure reports of the Asso-

ciation for the years 1919 and 1920. The first 3 years of the Association's existence, however, were no doubt the most prosperous as during that period prices of farm products remained high owing to the maintained market demand. The year 1921, however, brought a very different situation and one which was directly reflected in the Association's report for that year[a]. During the year ending November 30, 1921 there were no fewer than 1891 applications to the amount of $5,096,000. Of these, 1333 were accepted. Besides this, the calendar year ending Dec. 31, 1921 saw no less than 400 accepted applications on hand, aggregating nearly $1,000,000. This was almost double the number and more than double the amount of applications filed during the previous year, namely 1011 amounting to $2,181,200 of which 770 were accepted. The total amount of all applications received from the Association's beginning to November 30, 1921, was $15,800,000.

During the fiscal year ending November 1921 the sum of $1,626,000 was paid out in 722 loans, an average of $2,250 per loan, making a total of 2348 loans paid out to November 1921 for an amount of $6,147,650 of which the balance of principal outstanding was $5,633,328.76. Twenty-two loans, amounting to $40,985.39 had been paid off in full, generally for the purpose of securing larger loans from other loaning agencies. The balance sheet showed a net profit for the year of $43,186.38

(a) Annual Rep. Manitoba Farm Loan Association, year ending November 30, 1921.

as against $32,558.60 for the previous year, and $14,059.21 for the 21 months ending Nov. 30, 1919, making a total amount credited to profit and loss Account of $96,148.26. An unlooked-for loss occurred during the year in connection with the refunding of $500,000 or Provincial securities which matured payable in United States funds in May 1921. At that time the exchange rate stood at 12 1/2% in favor of the United States and this meant an expense of $60,000 to the Manitoba Association. Part of this loss was equalized by a premium gained on the sale of one series of 5% securities, and the rest by the same of $1,000,000 of a series bearing 6% interest.

The year 1921 saw a large increase in their amount of payments in arrears, but this held true of all loaning agencies. The annual payments due at Dec. 1, 1921 amounted to $296,000 of which amount $114,000 had been paid in at Dec. 31 and a further $80,000 during the first 26 days of January 1922, at the end of which time the 1921 report was made out. Thus at Jan. 26, 1922, there was still unpaid 30% of the payments due at Dec. 1, 1921. Besides, there were some minor amounts owing from 1919 and about $23,000 from 1920.

The fifth annual report(a) gave the Association's operations for the first nine months of 1922 only, and in a perusal of its figures one should keep in mind that very different general results might have been evident had that report contained the figures to the end of November as was the case in pre-

(a) Annual Rep. Man. Farm L. Ass. for the nine months ending Aug. 31, 1922.

vious reports. From Jan. 1 to Aug. 31, 1922, there were received 1125 applications for loans to the amount of $2,717,000 Of these 612 were accepted and approved by the Board to the amount of $1,724,750. During this 9 months period the number and amount of applications were proportionately less than those filed the previous year.

The sum of $1,901,850 was paid out in 691 loans, an average of $2,750 per loan, making a total of 3,039 loans paid out to Aug. 31, 1922 and for a total amount of $8,049,500. Of this amount the principal outstanding was $7,357,971 for 2796 loans. Sixteen loans in all were paid off in full during the period. The balance sheet shows a net profit for the nine months of $40,553.98 out of which the Board paid the original $10,000 grant given by the Government for organization expenses. The total amount at the credit of Profit and Loss account at Aug. 31, 1922 was $126,702.44. During the early part of the year the Association borrowed about $500,000 at 6%; $500,000 in February at 5 1/2% and another 1,000,000 later on in the year at 5 1/2%. Despite this cheaper borrowing the Association could not see its way clear to reduce the rate charged borrowers to anything below 7% becauseit was very uncertain how the exchange situation might be in the following April when the $1,000,000 of the Association's 5% Debentures had to be refunded. Owing to the provincial Government having been defeated at the elections of March 14, 1922, the Association ceased making new loans until it could be ascertained whether the new Government would be in sympathy with a policy

of further loaning. For thus reason during July and August scarcely any new loans were made. In fact it was not until after October 25, at which time a conference between the new Cabinet and the Board was held and the Board received assurances of the Government's sympathy and support, that the Board again began to make insoections and advance loans. From that date, however, up to the time that the report was issued (Jan. 11, 1923) new loaning proceeded rapidly.

The report stated that in the matter of collections the results as good as could be expected. But it was not expected that a very good showing would be made in this report. The total amount due, being arrears from 1919 and 1920 as well as payments normally maturing during the fall and winter of 1921-22, was $395,000 and of this about 55% or $222,000 was collected. Up to Dec. 31, 1922, of a total amount due of $616,000, about 40% or $244,700 was received by the Board. During the period covered by this 1922 report, the association took foreclosure proceedings in a few cases, but its general policy was to refrain from such action unless the interests of the Association made it absolutely necessary. The Board's idea was to keep the owners of the land on their farms as long as possible. This seems to us to have been good policy, as the demand for land had almost disappeared by that time, and hence any land which might come into the Board's hands as the result of mortgage sale proceedings could not be profitably disposed of and would probably remain a burden for the Board.

The last report[a] issued by the Association describes its activities for the year ending Aug. 31, 1923. Two main observations are stated therein, first the marked restriction in loaning and, second, the increasing inability of the borrowers to meet payments. During the past year (and this holds true up to the present, April 1924) the policy of the Board has been to restrict lending to borrowers wishing to improve their farms already owned, but not for the purpose of transfering their obligations or acquiring more land. In the 12 months covered by the Report, 1156 applications for loans for the amount of $2,674,000 were received which were slightly more than in the previous year. Of these 819 were inspected and dealt with, 597 for $1,339,250 being accepted, and 222 for $632,000 declined. From the Board's inception to Sept. 1923, the total number of applications made was 7732 and for a total of $21,206,000. The sum of $722,900 was paid out in 367 loans, an average of $1,970 per loan as against 691 loand, $1,901, 850 for the previous nine months an average of $2750. These figures show a real decrease both in humber, amount and average as compared with the figures of any previousyear. The total amount of money paid out in loans to Sept.1, 1923, was $8,772,400 and the number of mortgages on the Associations books, 3026 valued at $8,492,864 divided as follows:-

Bearing interest at 6%.....	$4,783,492.72
" " " 7%.....	3,709,371.33

(a) Annual Rep. Man. F. L. Association, for year ending August 31, 1923.

During the fiscal year 1923, 28 loans were paid off in full, some by the Soldier Settlement Board, some in order that the borrowers might secure larger loans elsewhere, and the remainder because the borrowers were able to clear up the debt.

The balance sheet shows a net profit for the year of $42,242.78. Of this sum a Real Estate Reserve of $25,000 has been created, which leaves $148,945 standing in the Profit and Loss Account at August 31, 1923. Administrative expenses indicate that 2/3 of the 1% allowed by the Act is now sufficient. In the matter of obtaining funds the Government managed to secure in July $500,000 bearing interest at 5% maturing 1933 at a price of $97.28. In April, $1,000,000 of the Association's 5% debentures matured and were refunded by an issue maturing April 1924 at the same rate at par. The Board's outstanding debentures are now divided as follows:

5%	$4,411,885.
5 1/2%	2,203,450.
6%	1,424,695.

In spite of the fact that the larger proportion are of the 5% variety and that the operating costs have been less than the 1%, the Board still considers it wise to charge borrowers 7% interest. Any other action at the present time would result in a great increase in the number of applications which could not be dealt with owing to the Board's policy restricting lending. To decreasethe interest rate on loans already made would probably make it easier for some borrowers to meet payments, but it would also manifestly work a great injustice to those bor-

rowers who have already met payments or paid off their loans. After all a difference of 1 or even 2% in the interest rate is not going to greatly lessen the size of the payments which borrowers must meet.

During the last year collections amounted to the sum of $421,831.93 out of $728,440.15 due or 50%. Of the payments falling due in the last months of 1923 and the early months of 1924 were added to those overdue at the time, this report was issued, and the amount of these payments which had been met to the date of this writing (April 1924), it is certain that a very black picture would be presented. The Board's report issued last November prophesies that the prospects for collection during the fall and winter of 1923-24 are anything but bright, and gives as reasons for this prophecy the fact that 1923 was the worst of three successive poor crop years, and that as a consequence, many farmers never before placed in financial difficulties are now forced to apply to loaning institutions for assistance. The conclusion is reached that from information available from its own official and agents, the Farm Loan Board cannot expect any such results in the matter of collections as were achieved in 1922 and that the only source open to the Board is to keep all worthy borrowers upon their farms by granting them extensions. While these lines are being penned information comes direct from the Board(a) to the effect that conditions are even worse

(a) Letter dated March 27, 1924 and written by the Commissioner of the Man. farm L. Ass.

than was anticipated some months ago; that the Board has had great difficulty in keeping a number of its borrowers on the land. Notwithstanding its efforts to do so a large number have vacated and left their farms which of course, means that they have to be looked after and tenants secured, which at the present time is a difficult matter. Further, the information just received states that owing to adverse conditions the Board has found this a very difficult year and does not think it possible to collect more than 33 1/3% of all outstanding collections. In 1923 it collected 58% and, of course, had to carry the other 42% which together with the payments which fell due under the mortgages in the fall of 1923 left the Board a lot of money to collect out of the 1923 crop. In other years the Board has expected a failure in certain areas of the province, different years affecting different portions, but there were always some parts of the Province where conditions were exceptionally good which made up to a certain extent for the failures in other portions. The season of 1923 has proved different in the respect that conditions were bad in all parts of the province.

The Board has had a number of mortgage sales where it found that the place was abandoned and sale proceedings had to be instituted so as to clear up the title. It has also a number of pieces of property back on its hands in cases where it secured the same by taking a transfer back from the borrower as he was discouraged and decided that it would not be possible for him to

continue farming operations any longer and voluntarily gave a transfer of the security to the Association. The Board States that in a number of cases it has been able to dispose of these lands to purchasers on easy terms of repayment, and to a considerable extent has been able to secure tenants to work the other parcels of land which have come into its hands.

Having thus surveyed the actual results of the Board's wprking, we may ask ourselves, what are the main lessons to be derived from its experience. At the outset we noted that the primary idea in theminds of those who demanded a Government loaning scheme was a decrease in the interest rates prevailing charged to the borrowers. We have seen that this result has not been attained to date and further that to decrease the interest rates prevailing to-day would render no valuable service to the farmers of the province. No one can say what value the system has been as a regulator of interest rates, due to the fact that it was in the field as a strong competitor. The indirect benefit in this way may have been as great as the direct money benefit. One other advantage which the Government scheme offered over other lending agencies was that it extended the same privileges to farmers all over the province. In fact, during the earlier years of its operations, a distinct preference was given to borrowers whom other lenders would not consider. These borrowers being farther from transportation, having larger debts, etc., are under the present adverse circumstances naturally the least able to meet payments. So far as this is the

result, the Farm Loan Association is placed in a worse financial position than private lenders. Again, the Farm Loan Association made a great many of its loans after the depression of 1921 made its appearance. Other lenders, on the contrary began to greatlyrestrict lending wherever that fall in prices appeared. If ordinary mortgage companies are having difficulty in collecting payments on loans made prior to 1921, how much greater difficulty must the Government Board be experiencing in trying to collect payments on loans made during and after 1921? As to loans made during 1917, 1918, 1919 and even in the early part of 1920, the borrowers had at least from one to three years in which high prices for farm products was the rule and in which, therefore, money to meet loan payments could be found. The Board's annual reports demonstrate clearly that of the large amounts of arrears of principal and interest at present existing, by far the greater part has accumulated since 1920. At the end of that year the total amount in arrears was only $23,000. When the special need for financial assistance was evidenced in the fall of 1921, by the great increase in the number of applications for loans, the Government Board immediately endeavored to meet as far as possible that need. Here, we feel, the Board acted the part of the good Samaritan too well for its own financial welfare. It seemed natural that an organization controlled by a democratic Government is an organism intended to support rather than one to be supported, and should try to be of the greatest use to

the greatest number. In doing so we feel that the Manitoba Farm Loan Board was overgenerous. It should have given the idea of its own profits a little more importance than the idea of the profits of its borrowers. This was a case where business selfishness might have proved a blessing. Thus it is just possible that the extension of the Board's privileges in its earlier years to the class of borrowers disregarded by other lenders, together with its over-generous attitude in the matter of lending in 1921 and 1922, are two main reasons for any present difficulties it may find in making collections. Both policies savored more or less of the paternalism so common in all government enterprises. The fault, if it is a fault, lies chiefly in the system itself rather than with the administrators of the system.

During and after its inauguration the Manitoba Farm Loan Scheme was subjected to a good deal of criticism on the part of officials of private loaning institutions. Most of these criticism were to the effect that the Government Association discriminated very unfairly gainst other lenders because it did not have to pay taxes, etc. The lending companies claimed that all lending agencies should be placed on an equal footing with the Government Association and that, if this were done, no further criticism would be heard from them. Some rather serious charges were made by some critics of the system most of whom claimed that the Government was legislating for the benefit of the farmers at the expense of other classes of

the population. One significant statement[a] reads as follows: "The outstanding facts are that the Manitoba Government is paying 7 3/4% for money, while it is loaning to a very limited extent (and probably this is the only redeeming feature of the Association's loaning operations) at 6%." Another similar accusation[b] made much earlier, in fact, at about the time the Board began operations, states that "there is a significant disclosure in Mr. Tomlinson's statement that the Farm Loan Association is paying the Government less than 5% for the use of the trust funds which the Government is employing in this way to bolster up an unsound scheme. Events have shown that the province of Manitoba can only borrow money on the markets of the world at 5 3/4%, the Government loans its trust fund to the Farm Loan Association at less than 5%. What have the taxpayers of the province to say to this system of finance? No reference has been made to the exemption of the Government scheme from the burden of taxation borne by the present lending companies. If the Government displaces present agencies which contribute to Imperial Dominion and Provincial revenues the loss must be made up by other forms of taxation." Whether such accusations were entirely justified or not has not been made clear, but so far as the borrowing of money by the Government is concerned, the annual reports of the Association do not contain anything to indicate such discriminatory methods.

(a) From a letter written to and printed in the Monetary Times, April 19, 1918, page 8.

(b) Article by Mr. Crossin, entitled "Manitoba Farm Loan Scheme" in Monetary Times, July 13, 1917, p. 46.

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In the autumn of 1922 the Manitoba saw fit to examine the past workings of the Rural Credits Act of that province which had been put in force in the same year as the Farm Loan Association. To conduct the examination, it appointed Prof. W. T. Jackman, head of the Branch of Rural Economies, Department of Political Science, University of Toronto, and Mr. F. J. Collyer, a member of the Board of Trustees, Province of Manitobe Savings Office. In the report which these investigators made to the Government in the following February(a), attention was drawn to the great possibilities of harm to the Farm Loans Association due to the undermining of mortgage credit by excessive borrowing under the Rural Credits Act. This view was expressed that some sort of cooperation should be arranged between the two Government Departments engaged in advancing agricultural credit - the Rural Credit Societies and the Manitoba Farm Loans Association. As each was separate and distinct there was nothing to prevent a man from first borrowing heavily from a rural Credit Society giving as security for his loan a lien on anything he might intend to purchase or produce through its use; then having secured such loan he could next apply to the Farm Loans Association for a large advance on the security of a first mortgage on his land. The Board would have no way of knowing how much credit had been advanced to him by a Credit Society nor could the latter have any idea as to whether he had done business

(a) Rep. of the Com. app. to inquire into the operations of the Rural Credits Act" Province of Man. Dept. Of Provincial Treasurer.

with the Board. The danger of this lack of knowledge lay in the fact that, in the lst resort, both crediters must depend for repayment upon the productive capacity of the borrower. The larger the burden of debt resting on the borrower's shoulders, the more was his productive capacity reduced. And if to a debt which he already owed to the Farm Loans Board could be added debts due to a Rural Credit Society, his productive capacity might easily be reduced to the point where it would cease to be productive at all. The investigators added that sufficient evidence of the above tendency had been found to warrant the statement that the "excessive loaning policy of many of the Rural Credits Societies has jeopardised also the security of mortgage loans by private institutions." Of course, if the Farm Loans Board had suffered or could suffer in this way, other mortgage lending agencies would fare similarly, since they too would be ignorant of borrowers' dealings with the Credit Societies. And if this be true, it would be natural to expect such mortgage companies to cease doing business in regions where Credits Societies were in existence. It is, therefore, more than probable that the existence of a large number of Rural Credits Societies in Manitoba operating contemporeneously with but entirely separate from the Farm loans Associations has been a large factor in operating against the success of both and particularly of the latter.

In attempting to estimate the extent to which the Association has assisted Manitoba farmers in paying for their land, no

accurate statement can be made. The writer is informed(a) that the Board has never kept separate the objects for which the money was granted, but that it was during the years 1919 and 1920 that the largest demand was made on the Association to secure money to assist in the purchase of lands, and further that these requests came very largely from farmers in the same locality wanting to increase their holdings either for themselves or some of their sons. There were very few requests from people outside the province to borrow money for the purchase of lands. Since 1921 the demand for farm land has almost ceased, from which fact it follows that new loans for land purchasing have not beenbin great demand. And ever had the demand for them existed, the later policy of the Association whereby loans for improvement purposes are chiefly encouraged, would have prevented it from being met. The Association's officials consider it a difficult matter to say just how much capital a man should have before he borrows for the purpose of purchasing farm land. They state(b) that a few years ago they were willing to make a loan to a man to purchase a piece of property if he was able to pay a reasonable amount down and get the vendor to accept a second mortgage for the balance of his equity, but that the experience of the past few years has taught them that a large second mortgage is a very great handicap to the borrower, and that a great number of people who has have a second mortgage on farm

(a) See foot note on page 214.
(b) see foot note, page 214.

lands and thought they were well secured find to-day that the security they have is practically worthless. The Board would not to-day consider loaning a man money to buy a piece of land unless he had sufficient cash to pay for it in full over and above what the Board feel disposed to grant him by way of first mortgage. In other words, they would not allow a second mortgage to enter into the transaction at all.

While we might be inclined to take a rather pessimistic view of the work done by the Manitoba Farm Loans Association, it cannot be doubted that the Association has been of material assistance to many farmers and in a number of ways, including the purchase of their farms. As early as 1920 its value as a loaning agency was well recognized as evidenced by the written opinions of men well acquainted with the mortgage loaning business.(a) Even at that date the extent of the Board's operations had been sufficient to establish better treatment for farmers laboring under mortgages, and was considered to have been a tremendous help to Manitoba Farmers, such as could only be fully realized by actually discussing its benefits with men who have been relieved of embarrassment and difficulty, and sometimes helped out of seemingly impossible positions, by its operations.

(a) Article written in Farm and Dairy of October 7, 1920, by E. A. Weir, entitled "Short and Long Term Farm Loans", page 1099.

(a) Article written in Farm and Dairy of October 7, 19
written by H. A. Wait, entitled "Short and Long Term
Farm Loans", page 1099.

CHAPTER XI

FINANCING OF LAND PURCHASING IN ONTARIO

When one comes to consider farm land purchasing in Ontario, a vastly different set of facts have to be dealt with than in the Prairie Provinces. Ontario has now reached the stage where it is often spoken of as a "lending Province" as contrasted with the newer Western Provinces which are classed as being still in the "borrowing class". This fact is very significant. Briefly it means that agriculture as well as industrial conditions have developed to a degree only possible as a result of age and settlement. But when Ontario is spoken of as a "lending province" it is not to be inferred that all persons within its boundaries are in such a financial position as to be without further need of money. What is meant, is merely that a fairly large number of people in the Province have become financially successful, due to long periods of conscientious efforts to amass more money than they can use ordinarily in personal consumption. The total mass of provincial savings is therefore made available for the practical use of less fortunate or less experienced men who can use those funds safely and satisfactorily. There should be no need for Ontario farm borrowers to go beyond the boundaries of their own province in order to satisfy their credit needs. The only difficulty, then, remaining is to provide methods

whereby the provincial surplus may be made sufficiently available for provincial borrowers.

Ontario, I.E., Old Ontario - the Southern and Eastern parts - has passed through the pioneer stage of farming. It has likewise passed the experimental stage in agriculture and may be rightly regarded to-day as permanently settled. New Ontario the Northern and North-western parts - is still largely unsettled, unpopulated, and with large portions incapable of being used for agriculture. Its agriculture problems are not closely connected with high land values, and difficulty in the actual purchasing of the land. Ungranted Crown land may still be purchased from the Ontario Government for 50 cents per acre or may be secured by homesteading.(a) The initial cost of 100 acre farm would therefore be only $50. It cannot be said that this cost inflicts any appreciable burden on the farmer purchaser. The latter's difficulties consist rather in meeting expenses which must be made in clearing and improving the land before it can be of practical use for cultivation purposes. To assist settlers in meeting such expenses, the Provincial Government has sought various means, and in 1912 and following years has enacted definite legislation.(b) This Legislation provides for the advancing of provincial moneys to aid northern and north-western Ontario settlers in various ways such as constructing

(a) Revised Statutes of Ontario, 1914, ch. 28 (being part of Public Land's Act) which is Rev. Stat. of Ont. 1887, ch.23.

(b) Ont. Stat. 1912, ch. 2, amendments to this Act have been made as follows: Ont. 1916, ch. 11; 1918, ch. 7; 1921, ch. 18; 1922, ch. 18 and 1923, Ch. 8.

improvements, bridges, etc., making roads, developing water powers, improving means of transportation or clearing the land. But as such works do not directly concern our study, it is unnecessary to discuss at length their success or possible value. The debate of the Ontario Legislature in 1914 (a) degarding the development of New Ontario revealed the fact that the Government had, even by that time, done much to open the country for settlement, but that in the opinion of the members of the House enough had not yet been done. The discussion brought forth the information, that although during the years 1912-14 a large number of settlers had gone into the country, the number was infinetisimal when compared with the numbers making the prairie provinces their home during the same period. Hon. W. H. Hearst, then Minister of Lands, thought that Railway companies and business firms were better able than the Government to handle the improvement of farms and loans to settlers, but the Monetary Times commenting on this opinion, suggested that if the Government should decide to wait for any extensive development in this direction on the part of corporations, the progress of Northern Ontario would suffer considerably and Old Ontario would lose the trade which otherwise itmight had. The comment further suggested that it would be good business, and legitimate if the Ontario Government were to help in the clearing of farms. Reference was made by the writer, to a contemporary example of a

(a) Monetary Times, April 24, 1914, page 16.

land settlement scheme in the Quebec province. In the case referred to, machinery was being used to clear wooded lands at the rate of four acres per day for it was considered nothing short of criminal to ask men to undertake to hew out farms for themselves as was done a century previously, even though such pioneering did develop industry and frugality. The "Monetary Times" took the view that it might not be a crime to ask men to follow their forefathers' example, but that in these days of rapid movement it was poor business, and appealed for further Government assistance on the ground that by no other means could the desired speed of settlement be attained.

That the Government took such suggestions seriously is evident by its action in the following year.(a) The present provincial premier who was in that year (1915) appointed Minister of Lands, endeavored by means of planning a far-reaching campaign to save for Ontario the farmers who were yearly leaving the province for the Western wheat fields. The Minister's concrete proposals unbiased the mobilization of every part of the Government service available, for the purpose of settling immediately large districts in Temiskaming which were attracting but little attention from incoming settlers. Plans for the partial clearing of farms, and the granting of loans to settlers for building and equipment purposes were also included. The Government policy of 1915 was embodied in the legislation of the following session(b).

(a) Described in an article in Monetary Times, Sept. 3, 1915 page 9.

(b) See foot note (b), page 225.

That settlement of Northern Ontario was attracting wide interest particularly on the part of those geographically adjacent to it is seen from the perusal of a definite proposal made by the Fort William Board of Trade.(a) Apparently that body appreciated the fact that vast areas of unoccupied land were lying idle between the settled parts of South-western Ontario and the far western portions of the province. To it the economic results from the settlement of this territory could not be accurately gaged but one point seemed certain and that was that a very great economic loss would be sustained unless the railway penetrating the region in question were supplied with traffic which could only be obtained through the settlement of the territory served. With the object of settling this land, therefore, the Fort William Board of Trade addressed to the Minister of Lands a memorial embodying practical suggestions with respect to draining the land and settling it on a community basis. In this memorial strong objections was taken to the old methods of advertising and driving settlers in without taking the necessary steps to secure their permanent residence on the land. To obtain settlers with the necessary capital to establish themselves was regarded as hopeless and therefore financial assistance was recommended as the only way out. The concrete proposals of the Board were as follows:

(a) Financial Post, April 1st, 1916, Page 15.

(1) An advance of $75.00 against a dwelling and stable completed according to prescribed regulations.

(2) A subsequent annual advance for the period of five years of $1.75 against each successive three acres or more annually brought into a satisfactory state of cultivation; provided the satisfactory cultivation of the land for which previous advances had been made were steadily maintained. All balances in any year for services rendered by model or illustrated farms, or for the use of the outfit of such farms, after crediting services rendered by the settler for the benefit of the farm to be charged against such annual advances.

(3) The consolidation of this advance at the end of the period with the accrued interest based on the actual interest cost to the Government and the distribution of the re-payment of same over a period of years, the annual payment required to discharge principal and interest being again based on the actual interest cost to the Government.

(4) In proper cases and under regulations which would make the same available to all who properly qualified, so that the same should not be subject to mere discretion or favor, farm stock and implements could be supplied, where a reasonable proportion of the cost of same was provided by the settler, the stock and implements to remain the property of the Government until fully paid for.

(5) The administration of the general fund and all these advances to be put under some public body which would be free to conduct

the whole undertaking involved in connection with these proposals and these advances on a purely business basis, apart altogether from any political or other influence, so that the fund would not be imposed on, and that no one could get anything considered on any other than a purely business basis.

The Financial Post, commenting on the proposals[(a)] at the time said: - "Although the resources of the country should be conserved to meet every exigency of the war, yet some money could be found to meet the good work presented by the Fort William Board of Trade. Money can be found for some very extraordinary purposes, one of which is the expenditure of 20 or 30 millions in developing a radial system, for the already settled parts of Ontario. Results from that system will not be so potent in developing the entire province as would be the settlement of the land referred to by the Fort William Board. The commercial and financial interests of the entire province and of the Dominion might well be placed, if necessary at the back of this movement. Further examination of the scheme submitted may result in some changes, but the work the Fort William Board of Trade is now doing is to set to work the forces that will lead to the conquering of the wide territory which is at present so great an obstacle to the economic consolidation of the Dominion."

The above proposals with the accompanying comment is significant chiefly because it indicated that the settlement of

(a) Financial Post, April 1st, 1916, p. 15.

Northern Ontario is economically desirable for the province and for the country as a whole. In it the public rather than the private welfare is interested. The end is public profit the means, rapid settlement. And it is necessary to assist the "means" in order that the "end" may be achieved. No where, however, in the press comments or in the Government enactments do we find mention of the financial need of the settler for the purpose of actually buying his land. It will be time enough to supply that need when the need itself arises, and the need cannot arise until after much more dense settlement has taken place.

Dismissing the subject of assisting land settlement as distinct from land purchase, we may note a few of the more recent results of the workings of the provindial homestead and sale regulations. Taking those years in which the demand for land was most active - 1916-1920 inclusive - we find that in 1916 the number of persons located on homesteads was 620, the number of acres located 85,139, the number of acres sold under special homestead provisions, 5,191 and the number of patents issued, 489.(a) By direct sale, 98,209 acres had been sold up to October 31, 1916, for $66,815. During 1917, the number seeking free homestead very naturally decreased. The obvious loss was due partly to the gradual lessening of ready

(a) Sessional Papers of Ontario, 1917, No. 3, Page VII.

accessable, arable free grant lands. The old sections had been largely taken up, and only a small percentage of the first class farming areas remained. In earlier years the free grant sections were eagerly seized and in this way practically all the Rainy River Valley had been settled as well as Thunder Bay District, and a good part of Kenora. The fact that within recent years the new townships opened had been in the Great Clay Belt and were subject to sale regulations (as well as homestead regulations) had noticeably affected the results in free grants. With the older arable portions of townships well settled it was not natural to expect that the more wooded and backward areas would be in much demand until after the war at least. During the war no land was in demand except such as could be immediately tilled to produce food.(a)

When peace was declared the demand for Ontario land was once more increased. Throughout the year ending October 31, 1919, more enquiries were received than during any corresponding period since 1914.(b) Settlers to the number of 539 acquired patents for an area of 55,000 acres as compared with 400 for an acreage of 36,000 in 1908. Moreover, more determined efforts were made by settlers paying for their land, collections on account of new and old sales exceeding those of 1918 by $30,000. Free homesteads were taken up by 576 settlers or over 150 more than in 1918. The area thus located was

(a) Sessional Papers, Ontario, 1918, #3, page 6.
(b) " " " 1919, #3, page 6.

72,420 acres. Patents for such homesteads were issued to 431 persons and the privilege of buying an additional area adjacent to a homestead (as provided for by the Public Lands regulations) for pasturing, fuel, or cropping purposes was exercised by 150 locators.(a) In 1920, 72,591 acres were sold for $69,956 and the collections on account of these and former sales were $81,480. In that year Temiskaming District was more in the prospective settlers' eyes than any other section largely it was better served by railways, the Provincial Government Railway and the Transcontinental Line giving easy access to it. In that year, 425 settlers obtained patents in sale Townships, and patents for free grant land were issued to 458 persons for lands covering an area of 53,295 acres. The average farm location increased from 125 acres in 1919 to 166 acres in 1920 when the total area then located comprised 88,813 acres. During the year a number of settlers came from Michigan and Minnesota and some returned to Rainy River and some to Thunder Bay districts from the dry belts of Saskatchewan and Alberta. Another important factor in the year's land transactions was the reversion to the Crown of 70,000 acres which had been located but concerning which it was found that the locator was either not making good as a homestead settler or was a speculator.(b)

(a) Sessional Papers, Ontario, 1919, No. 3, p. 6.
(b) All above figures and information relating to 1920 land transactions obtained from Sessional Papers Ontario, 1920, No. 3, p. 7.

Reports for the years since 1920 are not available but it is natural to expect that they would show a rapid decrease in land transaction both as regards sales and homestead locations While the actual purchasing of lands in New Ontario will not be a difficult problem for years, it will, as settlement advances, gradually become more troublesome, due to the lack of good land near to railways and, consequently, higher prices for areas of desirable and available land. The public lands open for disposal in Ontario are situated chiefly in the districts of Muskoka, Parry Sound, Nipissing, Sudbury, Algoma, Temiskaming, Thunder Bay, Kenora and Rainy River, and in the counties of Haliburton, Peterboro, Hastings, Frontenac, Lennox, and Addington and Renfrew. Ontario's total land area is 230,000,000 acres of which only 14,500,000 acres are under cultivation, of the amount still unsettled more than 20,000,000 acres of the very finest arable land await the plough.(a)

It is the land purchasing problem as presented in the more settled parts of the province, however, that we need to treat more particularly. Although this section is more settled, farm land is continually changing hands. Middle aged men who already have one farm paid for may consider it desirable to buy a second one. Many recognize that the same machinery necessary to operate 100 acres can be more advantageously employed on a larger acreage. Others who have been compelled to rely more

(a) Canada Year Book, 1921, page 780.

and more on such types of farming as beef raising require additional pasture land. Again, there are many farmers who have two or more sons who desire to farm. The old single homestead will not provide sufficient space for the operations of all. So more land must be bought. Sentiment often inclines such young men to remain near their old home rather than seek cheaper but more distant land in Northern Ontario or Western Canada. Many such young men totally unacquainted with pioneer life and have no desire for such experience, if improved land near to civilization can be had. But such settled lands owing to advantages which it gives the owner is usually very expensive and this is the case in old Ontario. The average value of occupied farm land in Ontario was estimated by crop correspondents as $47 in 1908, $50 in 1909, $48 in 1910, $54 in 1914, $52 in 1915, $53 in 1916, $55 in 1917, $57 in 1918, $66 in 1919, $70 in 1920 and $63 in 1921(a). The averages for 1922 and 1923 would probably show quite a decrease from the 1921 figures. The figures indicate a very high land value when it is considered that a comparatively small proportion can be used for highly specialized types of farming such as fruit growing or gardening which require only a few acres. Most of the Ontario farmers must have at least 100 acres and if possible 150 or 200 acres; it can be easily seen that even at the lowest

(a) Canada Year Book, 1921, page 236.

average price quoted above - $47 per acre - a very capital investment exists in the form of land alone. If examined closely the above figures disclose the additional fact that in the 12 year period 1908-1920, an increase of approximately 50% in the value of land took place. Further since a larger amount proportionately of this enhancement took place during 1919 and 1920 than during the other ten years, we see clearly the result of the abnormal demand existing for land at that time. The very fact that that demand existed means that many farmers bought land at the peak prices then prevailing. Since the deflation in farm produce prices took place immediately after the era of heavy land purchases the burden at present existing is almost unsurmountable.

How, then, are these purchasers to pay for the land they have purchased at inflated prices out of deflated produce prices? It is true that the sons of Ontario farmers as well as those farmers themselves have left and are leaving for the urban centres in ever increasing numbers. Rural depopulation is a subject continually discussed. There can be no doubt that the chief reason is economic despite the fact that many writers ans speakers emphasize the social causes. It is here submitted that if the financial welfare of the farmer is assured, in few cases will the so-called city advantages and opportunities be sufficient to lure him from the farm. If farming can be made profitable enough, most of the urban ad-

vantages can be secured and the thing called "greater opportunities" in the city will automatically disappear since the words "money profit" may generally be substituted for them. It matters not where the profit can be made; what concernsus at the present time is whether the profit can be made.

It is a well known fact (except in the case of the many who farm on paper and in imagination only) that farm profit, if any, are made on a very narrow margin. Anything which tends to lower that margin lowers the profits. Obviously a large capital investment in land is one of those things. How is this investment to be financed? In the 80's and 90's of the last century the mortgage lending institutions played a large part in trying to solve the problem, but beginning with thepresent century such institutions were largely supplanted by the farmers themselves. That is, according as some of the more energetic and frugal farmers managed to save money fromtheir business it was placed at the disposal of those who lacked capacity but who had the ability to use it satisfactorily. This system of private mortgage loaning decreased as farmers prospered and settlement grew, and more and more displaced the regular loan companies. The latter, however, have never completely abandoned the field and it has been recently estimated that (a) in most districts 5% and in some districts 10% of the farm mortgage loans are still made by them.

(a) Report of Committee on Rural Credits, 1920, Ontario Dept. of Agriculture, page 12. Also the opinion of the Chairman of the Ont. Agriculture Development Board, expressed in an interview.

Part of this abandonment of the farm mortgage field and decrease in the percentage of farm loans made by the loaning companies is due to changes made in the loaning regulations in the closing years of the last century. During the 80's and 90's mortgage companies usually granted their loans for a fifteen or twenty year term without renewal or revising. During the depression of the early 90's farmers borrowers found great difficulty in meeting payments on loans made in earlier years when agricultural conditions were fairly satisfactory and when interest rates were high, should be reduced when those conditions were adverse and general interest rates low. As interest rates on new loans fell the outcry against the long-dated loans made by the companies became so insistent that the Dominion Goverrment empowered any borrower to pay off his mortgage after five years on condition that he pay in addition a bonus of three month's interest. When the borrowers were given this power the companies felt that they too should have the right to call in their advances at the end of five-year periods. As a result the policy of the companies changed until it is now their almost universal practice to advance loans for five years at a time only, i.e., they reserve the right to renew their investment at the end of every five years. This changeof policy whereby farmers may receive advances for five instead of 15 or 20 years as formerly, has resulted in mortgage company loans meeting with much less favor.

Due to certain inadequacies of the existing loan facilities whether individual or corporate, (which inadequacies will be discussed in a separate chapter) a growing need for additional rural credit facilities, both long and short term, has been felt in late years. The earliest practical move to satisfy this need in Ontario almost coincided with the outbreak of the war. The demand for increased production which came with the war, naturally brought a corresponding increase in the capital requirements to carry on farming operations, and of course, among other requirements was the cost of ddditional land. Probably the question of more rural credit facilities was bound to come later or sooner, as it has in nearly all advanced agricultural countries, but the war greatly hastened its advent, so that at the close of 1914 the question in the minds of a great many people in Ontario, as well as elsewhere in Canada was: are the farmers of Ontario prepared to meet the demands of the times.

In an investigation(a) into the financial status of Ontario farmers, conducted by the Department of Agriculture, it was learned that during the fall of 1913 farmers had on deposit alone in the banks $100,000,000. This investigation also showed that 45% of the farms of the province were mortgaged to the extent of one third of their value, which means that only 15% of the total value of Ontario farms was covered by mortgaged,

(a) Farmers Advocate, Dec. 10, 1914, page 2098.

and of this latter amount 7% was held by farmers themselves. It was also found that farmers fo good standing had no difficulty in securing long-term money at current rates of interest. In the light of this information, one could be led to question whether any real need for further mortgage credit facilities did really exist in Ontario. It must be borne in mind, however, that while the average farmer might have been in well-to-do circumstances, yet there are always many exceptions to the rule, and that provision should be made for many with little capital. At that time (1914) too, there was a great discussion regarding the back-to-the-land movement. Most people who were likely to move back to the land were people who left it simply because of lack of sufficient capital. If practical inducements were to be offered to such men, better facilities for providing capital had to be found. About the end of 1914 it was hinted that a system such as the "Prussian Landschaften System" modified to meet Ontario conditions might prove suitable.(a) No such plan has ever since been seriously contemplated, so that it is impossible to say whether it would have prove suitable or not. Suffice it to say, however, that the difficulties in the way of complete cooperation of Ontario farmers would as yet make the adoption of such a scheme fairly remore, and its success highly unlikely.

In 1917 and Act was passed by the Ontario Legislature(b)

(a) Farmers' Advocate, December 10, 1914, page 2099, article by C. F. Bailey, Ass. Deputy-Minister of Agriculture, for Ontario.
(b) The Farm Loans Act, 1917, Ontario Statutes, 1917, ch. 25.

which was evidently aimed to remedy part of the farmers' credit troubles. That legislation made provision for the advancement of loans to be used for the erection of buildings, to purchase machinery, for fencing, dmaining, vlearing and other permanent improvements, but not more than one-half of any such loan could be used for any other purpose than the making of permanent improvements. There was no clause in the Acts whereby loans could be made to buy land, and any aid the farmer would receive would consequently assist him in land purchasing only indirectly. The Provincial Treasurer could loan money from time to time to the Municipal Corporation of any Township upon the debentures of the Township and the Corporation could then advance the money to the farmer borrower. All money so advanced, was to be repayable by a special rate upon the land held and used for farming purposes in the Township. Every loan made was to constitute a first lien and charge on the land described in the By-law for levying the special rate, but no loan could be made to any applicant where the land was mortgaged or otherwise encumbered without the consent in writing of the mortgagee or encumberancer, whose mortgage or encumbrance was registered prior to the registration of such by-law. No definited period was fixed during which loans were to be repaid, it being provided that such period might be varied by the regulations. No loan could exceed 60% of the assessed value of the land offered as security. Unless otherwise arranged later, the owner of the land in respect of which money was borrowed could at any time discharge his indebtedness by paying the Treasurer of the Municipality the amount borrowed

and the interest thereon at the rate of 5%, less any sum already paid on account of principal and interest and the Treasurer of the Municipality could forthwith send the amount so paid to the Provincial Treasurer, to be applied to the payment of the debentures of the Municipality. Whenever the debt was paid in full, the borrower was to be entitled to received a certificate of payment in the prescribed form under the hands of the Reeve and Treasurer of the Township and the Treasurer would then forward a duplicate of such certificate to the Registrar of the proper Registry Division to be deposited in the Registry Office.

It can be seen from a casual survey of the above legislation that extensive use was intended to be made of already existing machinery, namely, the Township Council. That feature if capable of successful employment, would certainly lessen administration expenses and might also have the advantage that the men administering the Act would be better acquainted bith local credit needs and would be directly interested in the money loaned. Should too much money be loaned in one Municipality it did not follow that other Municipalities would fare similarly. But whether the legislation as framed was suited to Ontario needs has not yet been shown, as from all evidence available, there is nothing to indicate that it has ever been tried, although it still remains on the Statutes Books. To the writer there seems no reason who the loaning purposes outlined in the Act could not have been extended to include the actual purcha-

sing of farm land. Why the legislation has not been applied is not clear, but possibly it was due to the general prosperity of Ontario Agriculture during 1918 and 1919, together with a desire to see how the contemporary Government mortgage loaning experiments in Saskatchewan and Manitoba would work out.

With the fall of 1919 came the advent of the Drury Government to power. The fact that that Government was pledged to legislate as far as possible for the farmers probably paved the way for renewed Government interest in farm credit facilities. In June 1920, the Government saw fit to appoint a special commission(a) to investigate Ontario Rural credit conditions and if possible make recommendations embodying a practical scheme. After an exhaustive investigation, the Commission made a lehgthy report which still forms and will long form a valuable basis for reference and study. After emphasizing the importance of Agriculture and of agricultural credit and describing the past forms of credit available and their inadequacy together with t the systems tried in othe agricultural countries, the Commission described certain schemes which might have possibilities as long-term credit systems in Ontario. One such scheme would be to have the Government furnish the money and administer the system of loans directly, in all likelihood throught the Provincial Treasurer's Department. This would probably be the simplest way. The money to be loaned would be part of the

(a) Commission on Rural Credits, Ontario, 1920.

regular Government revenue, or of this was not available then the Government might raise the money by selling its bonds. The appraising of the land to be offered as security could be done by a Government valuator. Although obviously a simple solution to the average observer, the Commission did not think well to recommend it for various reasons. Among these reason was the fact that the Provincial debt was already too large owing to war time demands and post war conditions. In the second place, the opinion was expressed that private capital was much more fitted to the task than the Government, chiefly because the latter would be subject to extra pressure. It would be only natural that a would-be borrower, who was a Government supporter would wish to take advantage of that fact to increase the amount of his loan. Finally, the Commission thought that aside from the foregoing political objections, any such system would run large risks in the matter of administration, that much "red tape" would result from any sincere effort on the Government's part to safeguard the system, and that this would cause great delays in the granting of loans.

A second possible scheme as it occurred to the Commission was one whereby the Government, instead of making the loan directly would place the responsability upon a Board composed of others than members of the Government. By this method the Government could provide the funds needed and the Board could administer the system. To this plan, the Commission saw serious objections of a nature not unlike to those to which he first

plan could be subjected. Even though the plan were not carried out directly by the Government, the Board would have to appointed by it, and, consequently, would partake of the nature of a political institution, being subject to all the uncertainties common to such appointments. The result would be that the administration of the system would probably lack stability of policy and personnel.

Discarding thaat these two possible mathods both of which would involve active Government participation, the Commission strongly recommended the adoption of a privately-managed system The plan suggested involved the organization of a land mortgage bank with capital of $500,000 subscribed by the farmers. This Bank would begin operations by loaning up to say $100,000. By that time there would be sufficient first mortgages on hand as security for the loans already advanced to be made thebabasis of a debenture issue of another $100,000. This issue would be guarantee by the Government and would be sold to the investing public to get further loaning funds. By making the duration of the loans correspond to the period of the bonds, as loans were paid off, the bonds could be called in and redeemed. In this way a system would be developed completely responsive to the needs. Loans would be made by the bank for 5 to 30 year-term on the amortization principle and the interest rate would be 1% more than the rate at which the bonds were issued thus providing a 1% margin for operating expenses. Provision would be made whereby the borrower could pay off all or any additional part of the principal at any annual payment date

after the lapse of the first five years of the loan. Such a provision would aid the borrower by allowing him to clear off his mortgage as soon as opportunity allowed and further would allow him after the five years to get his loan from some other source if he found that a lower interest rate could be had. As to the amount of each loan the Commission recommended that the bank should not loan over 50% of the value of the land and 20 to 30% of the value of the permanent insured improvements; and in no case should any one person receive less than $500 or more than $12,000. As to devidend, the maximum allowed on the bank's stock should be set at 7%. It was thus particularly urged that there should be co-operation in the management and operation of the short-term and long-term loans. This cooperation would be assured if one institution, administered both types of loans. To achieve this end, the Commission recommended that the land mortgage bank should be given power to act as a savings institution in receiving deposits and paying interest on them. Such deposits, however, should only be used to supply the funds needed for short-term loans, since the long-term loans could be adequately supplied by the use of the Bank's capital and the sale of debentures. To administer the system there should be one Board of directors for the central institution, but the actual work carried on under thus Board would have the two branches each with a manager and an accounting system.

The guiding principle of the foregoing plan was that the loaning scheme should be kept as far as possible out of Govern-

ment control. All the dangers common to Government systems should be avoided if at all possible. As may be noticed, the plan devised gave the Government no active participation, its only interest being the guaranteeing of the debentures issued by the Bank. Such guarantee, of course, would naturally add strength to the Bank's own guarantee and to that extent cause the debentures issued to meet with greater favor on the part of the investing public. The whole plan, we feel, was one calculated to give every possible amount of satisfaction to the borrowers as well as to relieve the Government from the responsability of a venturous undertaking which in view of the financia conditions prevailing, it would ill afford to shoulder.

Be that as it may, the thing to notice is that the system recommended was not adopted. Instead, a plan based on the principle indicated in the second possibility considered by the Commission was followed.(a) In other words the principle of the Manitoba system has been adopted verbatim, the details of administration only being altered. The Board of three members which has been appointed wasauthorized to issue its own bonds to the amount of $500,000 the rate of issue and denomination of the bonds being determined by the Board out of the Consolidated Revenue Fund. All moneys received by the Board from the sale of its bonds are to be placed in a separate account of the Board in any Canadian Chartered Bank or the office of any company or

(a) Ontario Statutes, 1921, Ch. 32.

corporation authorized to accept deposits. Aside from the issue of Bonds, the Board may from time to time with the Government's approval, issue debentures at rates and in denominations arranged by the Government. The debentures so issued have to issued upon the security of the mortgaged made to the Board and must not exceed the amount of those mortgages. Further such debentures become a charge upon all the assets and revenues of the Board. Provision is made for the guaranteeing of all bonds and debentures issued by the Board. Loans may be made for various purposes including the acquiring of land for agricultural purposes, and the paying off of encumbrances on such land. No one borrower may receive more than $12,000 but the Ontario regulations differ from the Manitoba provisions in that the Board may loan under favorable conditions, except in the case of loans for removing encumbrances which are 50% only, up to 65% and not 50% the value of the land and buildings; second, the borrower has only 20 and not 30 years in which to repay his loan. The original Act of 1921 provided for the paying off of the loan at any interest date after three years, but in 1923 the Act was amended(a) so that loans may now be paid off at any time after they are made. This change was made because the Board has not found that the 3-year provision served any good purpose. It has had one or two isolated cases in which a borrower desired to sell part of his property and to materially reduce the loan out of

(a) Ontario Statutes, 1923, Ch. 15.

the proceeds of such sale; and it was in order to deal with cases of this nature, which though exceptional are none the less important, that the 3-year provision has been eliminated. No definite interest rate was fixed but the rate adopted by the Board has so far been 6%. All loans are repaid on the amortization plan, and are made on first mortgage security only. The mannet in which payments on loans are to be disposed of by the Board is as follows:

(1) That portion of such payment which consist of interest to be credited to the revenue fund of the Board and form a part of its cash assets and must be applied in the first instance to the payment of interest on the securities issued by the Board.
(2) That portion of the payment consisting of principal must be transferred to and kept in a sinking fund account to provide for the payment when due of the principal of the security issued by the Board, and such account is to be kept entirely separate from the other account and funds of the Board. Any other revenue of the Board on account of loans is to be credited to a reserve fund account and at the end of each month must be transferred to the Consolidated Revenue Fund.

At the same time that the Act[(a)] was passed providing for the establishment of long-term agricultural credit the Government passed an Act aimed to secure funds for both long and short-termed loans. By that Act[(b)] the Provincial Treasurer is empowered to open offices in any part or parts of the province for the purpose of receiving deposits from persons or corporations. Subject to Government approval the Treasurer may from time to time fix the conditions as to interest and repayments which shall govern such deposits except that no rate

(a) Ontario Stat., 1921, Ch. 32.
(b) Ontario Stat. 1921, Ch. 31.

above 4% may be paid on them. Any money secured from these deposits may be used for investment in any or all of the following:

(1) Loans to members of associations for short term purposes;
(2) Bonds or debentures issued under the Agricultural Development Act, 1921.
(3) Bonds or debentures of or guarantee by the Dominion or any province;
(4) Bonds or debentures of or guaranteed by any Municipality or school section in Ontario.

All expenses necessary for the carrying out of the Act are to be paid by the Treasurer out of, and all revenue is to be paid into, the Consolidated Revenue Fund.

In comparing the system provided with that recommended by the Special Commission, we find that, while the guiding principle is entirely different, yet in some other respects the Commission's Report has been followed. This is chiefly noticeable in that the short and long term loaning systems have been placed under a single management as urged, even though the form of that management is different. Also that provision was made for receiving deposits not by mortgage bank as suggested by the Commission but rather by Government deposit offices. Further the Commission had recommended that any deposit received by the proposed bank should be used for that term loan only. As the legislation stands, the deposits received by the Government offices may be used for both long and short loans. The percentages that may be advanced on a property is near to what was recommended by the Commission, but the term of years (20) is shorter. It is worthy of note that in no other Government loaning scheme in

Canada is the term of repayment limited to 20years, and there seems no good reasons why, if a longer term is needed in other provinces, it should not be provided for in the Ontario legislation. The inherent qualities of Ontario farmers are not so much superior to those of others as to render them 50% more efficient in meeting mortgage loan payments.

Leaving for the present the actual legislation as it stands let us examine how it has worked to date. Although the legislation was passed in April 1921, a few months of preliminary work was necessary before the Board could begin actual business operations. The first loan was passed on October 28, 1921.(a). Before the end of the first year's operations the Board had actually passed long-termed loans to the amount of $2,040,605. In the same time, more than 4000 inquiries regarding loans were received even though no effort to advertise the system had been made. Out of these 4000 inquiries, 1,191 formal applications resulted, and of this number, 458 were formally granted and 178 left under consideration. From these figures we conclude that the proportion of loans granted to applications received was less than 40% a very conservative ratio. This is probably explained partly by a policy of careful scrutiny of borrowers by the Board and also by the fact that during the first year's operations loans could not be made for the purpose of removing encumbrances. It was only in the 1922 session of the legislature that amendments were made(b) providing for

(a) Annual Report Agricultural Development Board for year ending Oct. 31, 1922, page 1.
(b) Ont. Stat., 1922, ch.36, "Agricultural Act Amendment Act

the advancing of loans for this purpose. In regard to financing its operations we have seen that the legislation gave the Board power to issue bonds up to $500,000 as well as to issue debentures to an amount limited only by the value of first mortgages. It is interesting to note in what manner the Board actually made use of that authority. The Board first issued bonds aggregating $488,000. These bonds were taken up by the Provincial Treasury at 5% interest. Then the debentures were issued which were also taken up by the Provincial Treasurer on the same basis. Up to the end of October 31, 1922, the debentures issued aggregated $998,000. Of this total $288,000 was used to repay a bond of that amount leaving only $200,000 in bonds, an amount which the Board had thought sufficient for operating purposes. The balance remaining after the $288,000 was paid, was used to pay the loans advanced. It may be noted that this amount is much less than the total amount of loans passed by the Board, namely $2,040,605. This difference is said in the report to be due to the fact that many of the loans passed during the fiscal year had not actually been paid since some little time was needed to prepare mortgage documents and search property titles.

It is pointed out in the report that the bond issue would remain at $200,000 and that against the debenture issue there were mortgages aggregating $4,693,604. This is held to indicate that the Province was being well protected, and that the loaning plan was working out without the slightest hazard to the province's financial standing in the way.

Another noteworthy feature of the report is the statement that the mortgage loans had been well distributed over the Province. Every county, except three in Old Ontario was represented in the list of loans granted. The average loan in Old Ontario was $6,800.

As to the number of loans granted to aid in purchasing land, those with which we are particularly interested, this first report shows that 47% or nearly one-half of the total loans granted were for the purpose of buying land. The most of such loans were made to young men who wished to become established on farms of theor own. In a number of cases the fathers had assisted the sons in getting started by providing one-half or more of the price of the farm. The sons were then able to get a loan from the Board for the balance. Few loans for this purpose were made in New Ontario, although 218 of all the 458 granted went to that part of the province; there however, the greatest need is for building purposes. Men have the land which they secured from the Crown some years ago, and on each farm 30 or 40 acres and sometimes more have since been cleared and placed under cultivation. But in doing this pioneer work their finances have been exhausted so that they have no capital left with which to erect buildings.

The annual report of the year ending October 31, 1923 (a) also presents apparently satisfactory results of the Board's

(a) Annual Report, Agricultural Development Board of Ont., for the year ending Oct. 31, 1923.

working. The chief features noted therein are: a substantial increase in the business of the Board, an absence of any losses on long-termed loans, and the reduction of the deficit of earnings as against cost of maintenance from $10,235.77 in the previous year to $908.05 for the last fiscal year.

The number of loan applications received during that year was 1537, for an amount slightly in excess of $6,000,000. Examination showed that some 200 of these did not come under the scope of the legislation under which the Board operates, so it was found necessary to eliminate them from consideration. Hence, only 1234 were passed on by the Board. Of this number 953 were granted for an amount of $3,729,350. The property held as security against the loans is valued by the Board's inspectors at $8,685,166. From this it is evident that the amount passed in loans is somewhat less than 50% of the value of the security held, which would seem to indicate that the Board has played safe in the matter of its advances.

The total number of loans granted to October 31, 1923, i.e. in two years' operations of the Board was 1411; the amount of loans passed $5,769,955; and the value of security held, $13,378,470. Of the 953 loans granted in the fiscal year ending Ovtober 31, 1923, a large proportion, probably 50% were made for the purpose of discharging encumbrances. While many of these encumbrances had probably been incurred in order to buy the land there is no way of arriving at a correct estimate of this.

It is only fair to say however, that in helping to pay off emcumbrances the board incidentally aided in purchasing land, althoughtthe extent of such benefit is unknown. The loans made to new Ontario farmers were still largely for building purposes rather than for buying land. In Old Ontario the average loan granted decreased somewhat from that of 1922 to $4,862.30. Even though many of the farms given as security contain more than 100 acres, we are forced to consider an average loan of approximately $5,000 a heavy financial burden for any farmer to bear under existing conditions of agriculture, and only hope that that burden will not prove too heavy.

After all, the key to the success or failure of any loaning system is the manner in which the payments are made. Hence it is of vital interest to observe the results of the Board in this respect. During the fiscal year ending Oct. 31, 1923, 599 accounts became due involving a payment of $44,276.87. Of this total only 33 account representing $1,394.61 or 3.15% of the total were left outstanding at the time the report was issued (Dec. 31, 1923). It should be carefully noted that the report does not indicate the number of payments falling due up to the end of December 1923, but only up to the end of October. Moreover instead of taking the percentage of payment met at October 31, it takes the percentage of those due - not at the ens of December, but at the end of October. and then compares with this figure the number met at the end of December. We submit in all fairness, the percentage of arrears

should be the percentage which the number of payments due at either October 31, or Dec. 31, exceeds the percentage met at the same date. But even allowing for this seeming unfairness or irregularity in accounting, we consider that the Board's success in the matter of repayments is very satisfactory in view of the previaling agricultural conditions. The report states that no losses have occurred nor are any in prospect. Only one foreclosure was necessary and this in a case where the borrower left the farm. Aside from the question of collection, a point worth considering is the success achieved in meeting operating costs. It is to be understood that the Board administers both the long and short-termed systems and that the long-termed system only is discussed because it is the only one capable of being used for the purchasing of farm land. But since the Board received no revenue from the short-termed system, any ability that it may show in meeting operating costs of both systems must be credited to the long-termed system. The regular expenditures consist of head office administration, including inspection costs, legal fees and payments on debentures sold to the provincial treasurer at the rate of 5% per annum. The revenue consists of the $12 fee charged for inspection, the legal fees charged for the completion of mortgages, and the interest on loans at 6% which is so fixed to allow a 1% operating margin. The financial statement in the last report indicates[a] that the expenditures since the beginning of the Board's activities ex-

(a) Annual Rep. Agricultural Dev. Board of Ont. for the year ending Oct. 31 1923, page 8.

ceeded the revenues by only $908.05, the total cost of operation being $170,631.81, and the total earnings, $169,723.76. As the operating deficit has been decreased from $10,255.77 in 1922 to $908.05 in 1923, the Board feels confident that with the volume of business increasing as it is at present, the Board will in a short time be placed on a self-sustaining basis. Once that basis were reached the Board will begin to build up a reserve with which to meet any possible future losses.

If we are to judge the Ontario system by its two annual reports, we are led to believe that so far the system has met the need well. That is not saying that all the people who applied for loans were able to secure them, but it does say that a large number of derserving farmers have already received nearly $6,000,000 in mortgage loans for various purposes, among them that of purchasing land or paying for land already purchased. Further, they have been given the advantages of a definite interest rate (6%) and a longer term of repayment than they could be assured of hitherto. We have therefore little objection to the system as it has worked so far. The gravest fears we entertain for it have to do with the future. Perhaps many would think that the writer was taking an unwarranted and pessimistic view. To this it may be answered that there is also the possibility of taking a view that is foolishly optimistic. The nature of the difficulties which the system will have to face, if any, will be largely political, of the nature described by the Special Commission of 1920, in its consideration of a system

cial Commission of 1920", in its consideration of a system will be largely political, of the nature described by the Special Committee of 1920, in its consideration of a system of the difficulties which the system will have to face, if any, in the future. Perhaps many would entertain for it have to do with the future. Perhaps many would think that the writer was taking an unwarranted and pessimistic view. To this it may be answered that there is also the possibility of taking a view that is foolishly optimistic. The nature to the system as it has worked so far. The gravest fears we make could be assured of hitherto. We have therefore little objection interest rate (6%) and a longer term of repayment than they used. Further, they have been given the advantages of a definite them that of purchasing land or paying for land already purchased nearly $6,000,000 in mortgage loans for various purposes, among a large number of deserving farmers have already received reports, we are led to believe that so far the system has not

+ By the end of Jan. 1924, the aggregate of deposits needed $17,000,000, and by Apr. 17th had reached approx. $20,000,000.

similar to that now in operation[a]. The system is directly associated with the Government, is administered by a Board appointed by the Government and which is directly responsible to it. The funds for loaning are supplied by the sale of the Board debentures to the public, but the public in this case means the Provincial Treasurer, since all the debentures sold to date have been absorbed by the Provincial Treasury. The Treasury has paid for them out of the deposits received by the Provincial Savings Office. So far these deposits have been more than ample to supply the need. In the spring of 1923 they had passed the 6 million figure[b] see opp. page. This rapid increase is no doubt partially accounted for by the 4% interest rate paid which exceeds by 1% the rate paid by ordinary commercial banks and also by recent unfortunate failures of some of those banks. There is no guarantee that if the public confidence in the ordinary banks can in future be restored and if the investing public continues to be educated in investing through trust companies as well as in bonds and stocks, the amount of deposits in the Provincial Government Savings Offices will continue to be ample for rural borrowing needs. Further, the very fact that those offices have so far had conspicuous success in securing deposits means that the opposition to them on the part of other financial agencies

(a) Statement made during evidence of A. G. Farrow, Chairman of the Agricultural Development Board before the Special Committee on Agricultural Credits conditions at Ottawa, May 3, 1923. Statement on page 1649 of report.

(b) Toronto Globe, Feb. 9, 1924. Also statement made by M.E. McKenzie, Director of Ont. Gov. Offices in a private interview, April 17, 1924.

will increase until sooner or later the Government will be compelled to give a measure of consideration to their demands. Already hints are not wanting that Government concessions will be offered in the form of a reduction from the 4% interest rate allowed on deposits by the Savings Offices. The Provincial Treasurer has lately pointed out that when the Province was able to borrow money at less than 5% it could be thought a matter for consideration whether it could afford to pay bank depositors 4% interest.(a) If in this or in any other way the supply of loan funds from the deposits of the savings offices is cut off the agricultural Development Board will be compelled to either curtail its loaning operations or to endeavor to raise funds by depending on investors other than the Provincial Treasury to purchase its debentures. This latter expedient might work and it might not. The state of the money market might be such that those debentures could not be marketed so as to advance money to the farmers on mortgage loans at anything like the present rate of 6%. It is extremely doubtful if at all times, the Board could get money at 5% by selling its debentures on the open market, although the government guarantee would help in this respect while these general and perhaps rather pessimistic observations may seem beside the mark at the present date, it is submitted that the possibilities as here noted are none the less real, and further, that they are more or less inherent in the system itself due to its political connection.

(a) Toronto Globe, Editorial, Feb. 21, 1924.

On the other hand it may be said that so long as the Provincial Savings Offices can carry on their present basis and with their present degree of success, the Ontario scheme promises to work out fairly satisfactory. As the Savings Offices do not and cannot perform all the duties of commercial banking houses such as discounting notes or loaning directly to individuals, it may rightly be said that any money deposited in them is almost absolutely secure and all money deposited is invested in bonds or debentures of the Dominion or Provincial Governments there is virtually no possibility of one dollar of the money deposited being lost through any investments. When the investing public fully appreciate this fact and combine that knowledge with their recent lessening confidence in the commercial banks, it may be that the amount of deposits will be still more rapidly increased. On statement(a) made before the end of the first year of the Board's operations indicated that the experience to that date showed that the amortization feature was appealing to many desiring to purchase farms because it gave them a definite financial basis to work on and were enabled to plan their operations accordingly. Indeed, it has been found that in some cases the annual payment required under the system were actually less than the borrower formerly paid as rent. Many of those purchasing farms with the aid of the Board had been farmers' sons or former tenants. In the matter of land purchas-

(a) Article by W.B. Roadhouse, Dep. Min. of Agriculture, and one of the three members of the Agricultural Development Board in Farm & Dairy, Aug. 24, 1922, page 423.

ing, the Ontario Board had one factor in its favor, which the Western Governments loaning schemes did not have and which has certainly contributed to the undoubtedly greater success of the Ontario system. That factor was that the Ontario system did not begin operations until after the depression of 1921 had become fully evident. Land prices since 1920 have showed a decided tendency to fall.(a) Land purchases have been fewer in number and those made have been at much lower prices. The cost of establishing one's self on a farm is, consequently, very much less than it was three or four years ago. It may be said that this fall in land values is counteracted in effect by the deflation in farm produce prices, but to the writer, the present indications place the balance in favor of the man buying to-day. Thus any loans which the Ontario Board has made to farmers to meet new purchases of land are on a better security basis than any loans which could have been made prior to 1921. No doubt some valuation of Manitoba Lands, for example, made by the Manitoba Board in 1918, 1919 and 1920 were higher than present land values justify and loans having been advanced in many cases, revaluation of such land is useless.

It must not be forgotten that the Ontario Government Loaning system is still in its infancy, having a shorter experience than any other provincial system and whether or not it will ultimately prove successful can now be only a matter of conjuncture. But

(a) Canada Year Book 1921, page 236, also Toronto Globe, January 26, 1924, page 6.

whether it proves successful or not, it seems certain that there will have to be some system of agricultural credit both long and short-termed purposes, if Ontario is to remain an agricultural province. The present tendency for well-to-do farmers to invest in bonds and stocks rather than in farm mortgages as they did up to the war period, together with the reluctance of mortgage companies to enter the rural field so long as the real estate needs of urban centres provide sufficient lending territory, must make necessary the permanent adoption of some system, fit to take their place.

CHAPTER XII

FINANCING OF LAND PURCHASE IN QUEBEC

It meay seem a phenomenal feature that Quebec, the largest province in the Dominion and probably the second largest mixed farming province should have no special provision made, such as exists in most of the other provinces, for financing land purchase. Such however is a fact. Why is this? Is it that there has been no demand for these facilities? This seems partly correct, as was seen from the sentiment prevailing in 1922 when a Special Committee was appointed to hear evidence on the question(a). The object of appointing this Committee was to ascertain the appropriateness of creating a system of agricultural credit. Evidence of a dozen representative men of the province was taken, most of which was opposed in the tone to the Government adopting any credit system "Credit Agricole" as it was called. No witness appearing before the Committee suggested a practical form of agricultural credit although several proposed that there was great need of such assistance in certain parts of the province. The Committee itself did little except hear this evidence and did not attempt to formulate a

(a) The Standing Committee on Agriculture, Immigration & Colonization of the Quebec Legislature which began its sittings November 14, 1922.

definite proposal of its own. It merely referred to the Provincial House the evidence submitted in order that the House might take cognizance thereof, gain information and decide for itself whether the adoption of any system was advisable. It may therefore be said that the demand for some further form of credit does exist but not to an extent sufficient to cause definite or far-reaching action. Why does this urgent demand does not exist or why has it not existed up to the present?

In answering this question it is necessary to take into consideration the population of the province. We must not forget that Quebec was formerly a great French Colony; that its inhabitants were accustomed to a great deal of direction from above; and that, until some time after the Colony passed under British control, the seigmonial system of land holding was prevalent. French control left little room for individual initiative. So long as any vestiges of the Seigmonial system remained, freehold ownership of land as we know it could not exist. Tenantry was the rule under that system. And while the system has been discarded, it is not to be supposed that the effects of its many centuries of use have been entirely wiped out. Any system such as the Seignerial which has held full sway among a people for centuries is too firmly imbedded in their natures to be entirely eradicated in a little more than one century (and it must not be forgotten that the last seignierial pifs were not done away till as late as 1860). Thus, we see that the French population of Quebec has inherited ten-

dencies and a form of land holding not common to the English population of the rest of Canada. Neither is it to be thought that anything of the nature of the small peasant holdings existing in Old France has ever existed in Quebec. The abundance of land has made it unnecessary to limit the area owned by each individual.

Various Acts relating to settlement and land sales have been enacted from time to time in an effort to settle more of the Crown Lands. In 1882, for example, an Act(a) was passed designed to repatriate French-Canadians who had emigrated to the United States. It was thought such people were manifesting a sufficient desire to return in large numbers and establish themselves upon the public lands of their native province, and that all that was necessary was to offer them special advantages. By the Act drawn up it was provided that out of the revenue of the province a sum of $60,000 should be appropriated as a colonization fund. This fund was to be used to clear 100 acre lots for the immigrant settlers expected and desired. On each 100 acre lot, 4 acres were to be cleared and made ready for sowing, and a house 16 x 20 feet was to be built. Such works were to be performed as far as possible by the incoming settlers themselves, but each settler could receive $200 out of the fund established to aid him in his work. After the house was built and some clearing effected, the lot could be sold to the settler, the terms of sale being 1/5 down and the

(a) R.S.Q., 38, Victoria Chapter 3.

balance in four equal consecutive annual instalments with interest. Should the settler prefer to perform the settlement work independently he had the option of receiving the $200 as a cash advance to be repaid in five equal yearly instalments. There is little evidence to show whether any great advantage was taken of the provisions of the Act, but we are inclined to think that it proved of little avail. It will be remembered that the McKinley Tariff passed at the beginning of the 90's was followed by a prolonged period of depression among the Canadian Agricultural population. This depression would naturally discourage much immigration into Quebec as into the rest of Canada during that period.

Another provision aimed to encourage settlement was the so-called "Twelve Children Act"(a). The preamble to the Act states: Whereas, it is advisable, following the example of past centuries to give marks of consideration for fruitfulness in the sacred bonds of matrimony, therefore, be it enacted", etc. This seems more like encouraging an increase of population than increase in settlement, but an increase in one incidentally meant an increase in the other and the Act had the same ultimate effect as a settlement Act proper. By its provisions, every father or mother of a family, who had twelve children living was entitled to 100 acres of public lands to be relicted by them, subject to the conditions of concession and set-

(a) Quebec Statutes, 1890, Ch. 26.

tlement required by the Law relating to Crown lands.[a] The father or mother could enjoy the benefit of this land grant while he or she was alive, but on their death, its ownership was to pass to the son named in the parent's will. Serious difficulties were formed in the administration of his Act chiefly because various undeserving persons tried to avail themselves of its provisions. To remedy these an amendment was passed in 1892[b]. This amendment repealed the original Act and drew up new but slightly different provisions. The Act was further amended in 1894[c] and in 1909[d] was finally repealed.

Various Acts[e] have since been passed providing for sale and homestead regulations, but all of these relate to the newly settled lands which are still available at 60 cents an acre, and to which the difficulties of land purchasing scarcely relate. A comparatively recent Act [f] has been passed by the Provincial Government in aid of Provincial Colonization under which the Lieutenant Governor in Council may authorize the Provincial Treasurer to contract at any time such loans as are deemed necessary to be expended for that purpose so long as the aggregate loaned does not exceed $5,000,000. In order to effect such a loan the Provincial

(a) Quebec Statutes, 1889, Ch. 16.
(b) " " 1892, Ch. 19.
(c) " " 1894, Ch. 17.
(d) " " 1909, Ch. 16.
(e) " " 1897, Ch. 27; 1909, 16; 1909, Ch. 6; 1916, ch. 22; Quebec Revised Stat. 1888, Articles 1743, 1744, 1746, 1889, chs. 16 et 17.
(f) Quebec Stat. 1920, Ch. 6.

Treasurer may issue debentures or inscribed stock for a term as long as 40 years. The rate of interest which such stock or debentures may bear and the denominations in which they are to be offered are to be decided by the Lieutenant Governor in Council, so long as the rate does not exceed 6%. Whenever the Minister of Colonization decides that such a loan is necessary, he may forward to the Provincial Treasurer a requisition approved by the Lieutenant Governor in Council stating the amount required and the special purpose connected with colonization to which such aid is to be devoted, and the Provincial-Treasurer is authorized to pay, out of the proceeds of the loans raised by the sale of the securities, such amounts as are authorized.

It is however in the problem of financing the purchase of land in the more settled parts of the province where land is expensive that we are chiefly interested. The average value of occupied lands in Quebec has ranged from $42 in 1908 to $72 in 1919 but had dropped to $59 an acre in 1921.(a) These values are practically as high as if not higher than values of similar lands in Ontario. It would seem that if Ontario farmers required special credit facilities to aid them in land purchasing, Quebec would be equally in need of such assistance. For a number of years past the farmers of Quebec requiring mortgage credit have borrowed among themselves through the intermediary of notaries, with the result

(a) Canada Year Book, 1921, p. 236

that the regular mortgage companies secured a very small volume of such business. Mortgage companies, however, have a long history in Quebec and in the later years of the last century no doubt played an important part in agricultural development of the province. There seems to no a marked difference of opinion on the subject of the extent to which mortgage loaning institutions serve the needs of rural Quebec at the present time. An illustrative of this difference of opinion we have one official statement(a) that at the present time there are no loan or land companies operating in the rural part of Quebec. This statement is accompanied by the expressed opinion that no such organizations could hope to be successful under the present conditions, meaning presumably the prevailing depression in agriculture. On the other hand we have an even more recent statement of an official of one of the largest of such loaning corporations which conveys a very different opinion(b). That official states that whereas, for many years past, the agricultural long-term credit needs of Quebec farmers have been supplied by the farmers themselves acting individually, recently this condition has radically changed. The change is due in large part to the appearance on the market of Canadian Government and other public bonds in which there have been liberal investments by the farmers of the pro-

(a) From a letter written Nov.15, 1923, by Hon. J. E. Caron, Minister of Agriculture, Quebec.
(b) From a letter dated March 3, 1924, by the Manager of the Head Office of the Credit Foncier France Canadian, Montreal.

vince. It is added that the bond companies, while soliciting subscriptions to these Government loans, profited by the occasion to establish also a clientele for other issues of industrial securities; that the rural districts have naturally felt this drain on their available funds, and have consequently found it necessary to have recourse to a larger extent than heretofore to loan, trust and insurance companies for accommodation. In view of such a differenciation of opinion on the question, it is obviously impossible to arrive at a certain basis of truth. There can be little doubt, however, that the "craze" for investing in debentures, municipal bonds and bonds of public utilities or commercial concerns which has been suddenly manifested by the more well-to-do farmers as well as by other members of the investing public in all parts of the country, has been very noticeable and real in rural Quebec. And insofar as it is evident, it is but natural to conclude that a corresponding absence of available mortgage loaning funds will result and that other sources of supply will have to be found. Further, since no definitely organized form of agricultural credit exists in the province, it is to be expected that use will be made of the only other source available, namely, the loan, trust and insurance companies. The more common method of buying land for farming in Quebec is, for the buyer ti pay whatever he can afford in cash and for the seller to require for the balance a certain amount every year at reasonable interest and in some case without interest whatever, depending on the

conditions of the sale. It is understood that the seller takes the first mortgage on the farm as a guarantee that the balance of the purchase price will be paid. In many instances, particularly in those districts where the buyer is well known, it is possible for him to borrow in the locality from persons who have money to lend on first mortgage security. These persons need not be farmers, although in the majority of cases they will be.

Retired merchants, farmers or any local individual who may have sufficient savings may invest them in this way. The amount that may be thus borrowed varies greatly in individual cases. The moral status of the borrower is an important factor as well as his material security. In the majority of such borrowings the interest rate which must be paid is most reasonable, varying from 4 to 6%.(a) In one community in the province, in the Western end, concerning which the writer has had intimate first hand knowledge, the above methods of land purchasing are followed almost exclusively. In that district (Pontiac county) there is noloan or mortgage company operating at the present time, nor has there been any for a great many years; neither has the investment in government securities appreciably altered the mortgage situatbn, although a very considerable amount has been absorbed in that manner. People who buy farms pay down what they can and give a first mortgage for the balance, paying

(a) From a letter dated and written Feb. 5, 1924, by L.T. Roy, chief of the Field Industry Br., Dept. of Agric., Quebec.

interest on the same. Most sellers like to get cash for one half the price and 6% interest is generally asked on the balance. About 25% of the farms of one special township are under mortgage or owe large notes at the present time. There is no definite number of years fixed during which the mortgage taken is to run the number being generally lengthened or shortened to suit the individual buyer's needs and abilities. In that community the cost price of farm land had doubled in the 12 years period to 1920 but has dropped from 25 to 50% since 1920. About 5% of the land changed hands during the war at the usual terms outlined above. There is no difference in the rate of interest charged on farm mortgages it being still 6%. Very few, probably not more than 2% of the present owners of farms in a community rented the farm as a stepping stone to buying. Most farms have descended from father to son, and practically none changed hands without some money being paid, although in many cases the amount paid was a small percentage of the total cost. Taken as a whole, it is the writer's opinion that as regards land purchasing at the present day the County of Pontiac will just about finance itself.

It should be mentioned that the district referred to above is largely settled by English speaking people and that the present generation of land owners is composed of descendants of people who have lived approximately a century on the same farm. From this it can be readily understood that the degree of intimacy in a community is exceptional and no doubt accounts in large

measure for the methods employed in transferring land. Sellers of land who know each and dvery characteristic of prospective buyers will be well able to judge their ability to succeed as farmers and, consequently, the ability to pay for the farm. Hence the extreme leniency shown to many buyers in the matter of payment and repayment. While the methods followed in one particular locality are not to be taken as indicating a provincial wide practice, yet it is safe to hazzard a guess that the general principles involved in the methods employed in this isolated locality are fairly universally employed in the other settled parts of the province.

Although there does not exist in Quebec any agrarian credit in the most exact sense of the word, i.e. no organization solely and specially for the purpose of lending money for farmers either for long or short terms, it does exist a system of savings banks, known as "Caisses Populaires" which more or less meet the farmers' needs. Though not strictly rural institutions, the percentage of farmer members in the "Caisses" is so high that to all intent and purposes they may be termes "Rural Banks". They are not so much to deal in mortgage business as to loan small amounts to members on personal security. The attested honesty of the borrower receives consideration rather than the amount of his holdings in the bank. Each bank is restricted in its operations to a small area, usually a parish, where every one is known to the shareholders thus bringing about a close personal contact between the bank

and the community it serves. Originally intended to assist the laboring classes, the sphere of these banks has been gradually widened to include agriculture. The founder of the system was a native of Levis, Alphonse Desjardins. After having studied the various types of co-operation credit in use in Europe he concluded that the principles employed in the operation of the German Raiffeisen Banks(15) could be employed in Quebec. It is the very essence of this system which has been introduced in Quebec under the name of Caisses Populaires or Peoples Bank, although certain minor changes in the European system had to be made to suit the social enrironment. The first bank was establish ed in 1900;(16) and it was not until after the passage of the Quebec Syndicate Act in 1907(17) that the legal path for the wide spread use was paved. That Act enabled farmers as well as other citizens to organize credit establishments of their own.

The Caisses are finances on capital raised by selling shares at $5.00 each, and by receiving rdpposits upon which savings banks interests are paid and which may be withdrawn on demand or by giving 30 days notice. A Council of Administration controls the admition of new members acting under a bylaw which requires that the applicant be honest, sober, industrious and punctual in his payments. Applicants are required to pay only

(15) For a complete description of the "Caisses Populaires" see pamphlet entitled "The Co-operative People's Banks" by Alphonse Desjardins, published by Russell Sage Foundation, 130 East 22nd. Street, New Yor k City. Page 8.
(16) Eaton's Annual, 1923, page 367.
(17) Revised Statutes of Quebec, 1909, article 6762.

a small entrance fee of 10 cents which goes to help to form a reserve fund, but the bulk of this fund arises from the setting aside of 20% of each year's profits. Each Bank has moreover a provident fund, to which 10% of the annual profits is applied and is maintained until it reaches the maximum of one-half the annual profits distributed on paid up shares and it is designed to protect the reserve fund by meeting any calls which threatens the stability of the bank. Members are not subject to liability of any kind.

To assure a still greated security the Bank or "Caisse" possesses a Credit Committee which decides what amount of credit each member may receive and passes on all loan applications. The outstanding thing about these "Caisses is that seldom, if ever, have any losses occurred through borrowers.

Several advantages which have resulted from the establishment of this system of banks might be cited, but they do not directly concern the purpose of this study. Under this system no very large loans are made, and consequently, but limited use can be made of it in land purchasing. Most of the loans are for amount varying from $10 to $200. The only reason for mentioning the system here at all is to show the degree of success which can be achieved in certain parts of Quebec by cooperative action. These banks are essentially co-operative in principle. The savings of a parish are made available for the credit of that parish and through officials intimately acquainted with both lenders and borrowers. Thrift has been inculcated and prompt payment

everywhere encouraged, and the conspicuous success of the syste attests its suitability. Why, may we ask, could not these same co-operative principles, these same qualities of thrift, etc. be employed to meet the long-termes or credit mortgage needs of the same section of the province? It seems to us that here, if anywhere in Canada, lies a field eminently suited for the successful adoption of a system of mortgage credit modelled after European systems. And among the several purposes capable of being served by such mortgage credit system that of land purchasing would be very important.

This concludes the list of methods available of land purchasing financing in the province of Quebec. At this point, one thing further needs to be mentioned. An institution known as "La Banque Rurale" was given a charter during the summer of 1923 by the Federal Parliament. This institution was intended to serve farmers' needs but there was no mention made of its being particularly intended to aid such purposes as land purchasing. It is rather to be supposed that its purpose was to carry on ordinary banking functions since it was given the same sort of charter as any other bank. Whatever its purposes, the bank has not yet been organized, but the reasons for this, we have thus far been unable to find out.(a)

It might be interesting to note the terms of repayment adopted by one of the loan companies which have operated and

(a) From a letter dated and written Feb. 5, 1924 by L.P. Roy, chief of the field husbandry Branch of the Dept. of Agriculture, Quebec.

are still operating in rural Quebec. That Company is the Credit Foncier Franco-Canadien, probably the largest and best known of the mortgage companies operating in the province. That Company, according to its own statement(a) has never ceased lending money on farm properties since it was first established several decades ago. It has restricted its loaning, however, to districts well established as regards both population and agriculture. Its loans have been made for periods ranging from five to fifty years, and the great majority of payments have been made on a limited amortization plan. The Company states that this plan has proved very popular in rural Quebec, but that so far the Company's Ontario borrowers have not been sufficiently educated regarding the benefits to be derived from its use and, consequently, have not adopted it to any great extent. The plan itself called by the Company "The Amortization Plan" does not represent fully developed amortization. It might better be styled a sinking fund system. To illustrate the way in which it works, it is thought well to embody here an example cited by the Company itself. Suppose two men each borrow one thousand dollars at 7 1/2% for ten years. One of them (A) chooses a straight loan i.e. to pay yearly the interest only, and the principal at the end of the ten years. The other (B) chooses the Company's sinking fund system and pays $145.80 per year during the 10 years, thispayment being composed of $75 interest and $70.80 of the principal or sinking fund. At

(a) From a letter dated March 3, 1924 by the Mgr. of the Head Office ofthe Credit Foncier Franco Canadien, Montreal.

the end of ten years the position of both men will be as follows: A will have paid in interest on his loan 10 X $75, or $750 and the reimbursement of the principal namely $1000, making a total of $1,750; B will have paid in all 10 X $145.80 or $1458. While this system does give the borrower advantages of the degree of graduation in the payments of the principal is not the one best suited to his purpose, he must pay the same amount of the principal the first year when ordinarily he is least able, as he does in the tenth year when he should be most able. It is maintained that, while the system is good it goes only part way, and that a system of complete amortization such as that employed by the Canadian Pacific Railway or in most of the Provincial Government schemes is greatly to be preferred. It is, however, much better than the still more limited degree of amortization offered by many loan companies where say $50 of a $1000 loan ispaid off in each of the first four years and $800 is paid off at the end of the 5th year.

Some interesting facts regarding Quebec agriculture appear in a recent publication in a recent issue of the Canadian Bureau of Statistics. It is there noted that the number of occupied farms in the province decreased by more than 12,000 in the twelve years 1911 to 1921. In 1911 there were 149,701 farms while the census of agriculture taken in conjunction with the census of population in 1921 revealed the fact that the number had dwindled from 137 to 169. In the ten year period 1901 to 1911 there was an increase of more than 9,000 in the

number of occupied farms. The number of farms occupied by tenants in 1921 in Quebec was 4,937 or 3.3 per cent of all farms, as compared with 8695 or 5.8% in 1911. The value of all farm property in the province in 1921 was $1,096,786,970 as against $787,754,484 in 1911. This is an increase of 39.2%, but in considering this, the relative price level of 1911 and 1921 must be kept in mind. The area of improved land in 1921 was 9,064,650 acres as compared with 8,162,087 acres in 1911. The areas of field crops in 1921 was 5,964,164 acres as against 5,580,673 acres in 1911 and 4,704,396 acres in 1901.

These figures illustrate a rise in land values in recent years, the decrease of tenantry or the indirect influence of the Seignioral system, as well as an increase in rural depopulation.

A final observation should be made in considering the credit needs of Quebec. It is very often assumed by outsiders that Quebec is a province inhabited by French-Canadians exclusively. This is far from being the truth. Many of the largest farmers in the province are English speaking. Nor are the districts settled by English speaking people in any one section of the province. These English speaking people are identical in character ideals, habits and customns with their fellows in Old Ontario. They cherish the same principles of individual liberty and independence. Consequently, any such

system as the "Caisses Populaires", requiring complete cooperation are and must long remain foreign to them. For this reason it is necessary to differentiate in prescribing remedies for Quebec agricultural credit needs. One uniform system is manifestly unsuited to both races and elements in the population. The English speaking farmers are in much the same position financially as the farmers of old Ontario and require much the same style of loaning system. The Quebec Syndicates Act(a) allows the English speaking farmers of Quebec to cooperate for mutual benefit purposes as well as French speaking farmers. Yet the former have so far failed to do so thereby exhibiting their reluctance and sacrifice individual methods and desires. From this we must conclude that the English speaking population will have to purchase their land as they do at present by dealing individually. If other means are sought, they must come through Federal legislation or by special provision by the Quebec Legislature, and as the French members of the Legislature must remain in the majority there is little possibility of any special attention being shown to minority needs.

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(a) Revised Statutes of Quebec, 1909, Art. 6762.

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(x) Revised Statutes of Quebec, 1909, Art. 6762.

CHAPTER XIII

FINANCING OF LAND PURCHASE IN NEW BRUNSWICK

New Brunswick is like Ontario and Quebec in that it is an old established province. That does not mean that its whole area is fully developed and thickly populated. New Brunswick contains areas of dense and sparse settlement, dear and cheap land. The Crown still holds (1921) about 7,500,000 acres of the total 17,143,000 acres of land in the province, most of which is timber land.(a) But there are still some Crown lands well suited for mixed farming which may be taken up by prospective settlers. One hundred acres is the maximum allowed to any one settler, but he must reside upon his land and cultivate it for three years before obtaining a grant of the same. For some of the best lands $1.00 per acre is asked from settlers in addition to the settlement duties already referred to.(b)

Various provincial Acts have been passed from time to time providing for the sale or free granting of the Crown lands, but with comparatively slight alterations in the regulations.(c) Aside from these Acts providing for these general regulations,

(a) Canada Year Book, 1921, page 778.
(b) Canada Year Book, 1921, page 778.
(c) Consolidated Statutes of N.B., Ch's 14 & 15.

certain legislation has been enacted at various time for the purpose of effecting land settlement. For example, an Act in 1894[a] authorized the Lieutenant Governor in Council to spend during the year following the enactmentnof the legislation a sum of $3,000 to induce and assist persons, whether residents of the province or foreigners, to settle upon vacant lands of the Crown This amount was to paid out of the Provincial revenue. The special purposes for which this money was intended to be used were the paying of the expenses of immigration agents and the railway fares and other expenses of intending settlers to the places where they were to locate and of a guide to accompany them; to build colonization roads from already constructed highways to the lands to be taken by the settlers; or in any other manner that might be decided upon by the Lieutenant Governor in Council This Act, apparently, produced satisfactory results as at the end of the year during which it was to be in operation it was thought desirable to continue and even extend its operation. The Act continueing its operation[b] authorized the Lieutenant Governor in Council to spend as he saw fit $5,000 and not $3,000 in any one year for the same purpose as in the previous year except that to these were added the preparation of immigration literature, photographs for information purposes, etc.

In 1914, an Act[c] was passed designed to assist a company known as the "New Brunswick Company Limited" in selling Crown

(a) N. B. Statutes, 1898, ch. 19.
(b) N. B. Statutes, 1890, Ch. 12.
(c) N. B. Statutes, 1914, Ch. 47.

lands. By its terms the said Company was given land grants on the condition that it carry out certain definite settlement stipulations. In order to guarantee that the Company would live up to those conditions, a section of the Act provided that the Crown could reserve 20% of the grant until such time as the Company had carried out its agreement in respect to the other 80%, at which time the 20% witheld would be given over. Another section laid down terms upon which the Company might receive a further area of 50,000 acres. An Act in the following year(a) arranged the time from which the carrying out of the terms of the agreement arrived at by the 1914 Act should be computed as July 1, 1915. A third Act(b) made further provisions for the carrying out of the settlement terms by the Company, but as evidence that the plan of settlement by a large private company was unsatisfactory and dissappointing, the Legislature passed a final Act(c) which stated that owing to the failure of the Company to comply with the terms of the agreement, the only course open to the Provincial Government was to repeal the Legislation which had authorized the agreement in the first place. Thus, by this legislation of 1922, the Acts of 1914, 1915 and 1916 were each and all repealed.

In 1916 provincial legislation(d) was passed which allowed any settler whose application for a homestead entry had been

(a) N. B. Statutes, 1915, Ch. 66.
(b) N. B. Statutes, 1916, Ch. 55.
(c) N. B. Statutes, 1922, Ch. 39.
(d) N. B. Statutes, 1916, Ch. 6.

approved and published in the Royal Gazette and who had actually begun settlement duties, but who was unable to complete the same due to results of overseas service, to be entitled to the land settled upon without further fulfillment of settlement duties. Should such settler die as a result of war injuries, the land grant to which he was entitled was to issue to his heirs.

That community land settlement was receiving consideration by the Government at least as early as 1916 can be gathered from a suggestion offered in the spring of that year.(a) The Provincial Government was recommended by the Provincial Superintendent of Immigration to invest a million dollars in placing 1,000 families, representing about 5,000 people on new farms situated along the railway line near Moncton, or along the Railway line between Harcourt and Kent Junction, or on Crown lands. It was suggested that these tracts could be laid off in 100 acre farms on both sides of the railway and at right angles to it. Men with families could be selected and each was to be sent out to clear and plow about ten acres, dig a well, and erect a cottage and barn on each lot, and make any other improvements necessary to form an attractive settlement. These settlers could be classifiedin working parties and sheltered in shacks or log house until permanent buildings could be provided. Farms should be sold on easy terms under an already

(a) Article in Financial Post, Apr. 8, 1916, page 15.

existing Farm Settlement Board.[a] As an illustration of a modern colony of the type desired, the superintendent recommended that the Government should set aside a tract of good land near a good market; have it laid out in 50, or 75 acre farms on either side of the highway along the railway; authorize the Farm Settlement Board to clean ten acres on each place, erect a cottage and a small barn, dig a well and make an attractive settlement. It was suggested that the total cost of each farm would be in the neighborhood of $1,000 and the plan itself was cited as providing a suitable solution for the probable unemployment of returned soldiers.

No action along the lines suggested above was taken until 1920. In that year the Government passed an Act[b] providing for the purchase by it from the New Brunswick Railway Company a block of 4,000 acres at or near Comeau Ridge at a price of $75,00 per acre. The land so purchased was to be sold to settlers. After the deed of this land should be secured from the Railway Company, the Minister of Lands was to have the area surveyed into one hundred acrenlots and to open the same for settlement upon regulations laid down by the Government. Only actual bona-fide settlers could buy such lands and the price they must pay was not to be less than the price paid to the Company by the Government together with any cost

(a) N. B. Statutes, 1912, Ch. 28.
(b) N. B. Statutes, 1920, Ch. 25.

of surveying and other incidentals. No title to the land could issue to a settler until he made payment in full.

For the purpose of completing such purchase, the Lieutenant Governor in Council was authorized to issue short term certificate of indebtedness for the sum of $4000 payable with interest, at a rate not to exceed 6% and the proceeds of the sales as received were to be kept as a separate fund for the purpose of redeeming the principal of the said certificates and interest. Thus far we have been unable to ascertain whether or not any attempt has been made to put into practice the provisions of this Act. It is assumed, however, that since the enactment of the legislation coincided in point of time with the appearance of the present depression in agricultural prices no such attempt has been made and, further, that if it had no appreciable results would have been achieved to date.

One very important attempt in the way of farm land settlement has been made in New Brunswick. That attempt, however was made concerning the re-settlement of already developed land and had nothing to do with either pioneer or community settlement work. It was due to the fact that many of the established farmers of the province were leaving for the cheap lands of the Western Prairies or going to the cities and towns, and also because those lands offered a special attraction to intending immigrants who might otherwise have settled in New Brunswick.

In view of this somewhat alarming abandonment of its settled areas, the Provincial Government felt that some definite action should be taken to counteract its effect. For this purpose legislation was passed(a) in 1912 just at the close of the greatest flow of farmers both Canadian and foreigners to Western Canada. By this legislation, the Lieutenant Governor in Council was in power to appoint three commissioners to constitute the Board to be designated the "Farm Settlement Board" which should carry out the administration of the Act. One of the Commissioners was to be the Superintendent of immigration for the Province and was to assume the Office of Secretary of the Board. The Board powers were made far-reaching. It was authorized to purchase, within the province, any land fit for farming, to improve such land and erect houses and other buildings thereon whenever necessary, to buy and sell personal property in connection with land bought or sold and to employ and pay such persons as were necessary to carry out the purposes of the Act, to sell and convey to bona-fide settlers any land purchased by it at a price not above its cost to the Board, to enter into all agreements and to make and execute all deeds and other conveyances and documents necessary and to make all bylaws and rules for the purpose of facilitating the objects of the Act. According to the terms on which the Board might sell the land, 25% of the purchase price had to be paid down

(a) New Brunswick Stat., 1912, Ch. 28.

if the price being paid for the property was less than $1000, but if the price to be paid exceeded $1000, then the initial payment to be made when possession was given was to be 35%. In either case, the balance with interest was to be paid at such stated periods as the Board might agree upon with the purchaser, so long as the final payment was made within ten years from the date of the agreement to purchase, except that in special cases an extension of two years might be given.

In order to raise the money needed to carry out the provisions of the Act, the Lieutenant Governor in Council was authorized to borrow $100,000 for twenty years with interest at 4% under the provisions of the Provincial Loans Act (Chapter 4 of N.B. 9, Edward VII), and the monies realized from the said loan were to be placed in a chartered bank doing business in the province, to the credit of the Board, in a special account, and to be paid out only on an order of the Secretary of the Board, or if so decided, the Lieutenant Governor in Council might issue annual instalments bonds to the amount of $5,000 each year, covering the period of twenty years. To repay the loan and interest, $5,000 was to be set aside each year for 20 years out of the current revenues of the Province, to form a fund to meet the principal of the loan when it fell due, and the interest on the loan was to be paid by the interest which would accrue on the $5.000 sums set aside each year. Any balance of interest required was to be paid as it fell due out of the current revenues. All receipts

from land sales were to be paid by the Board into an account to be kept with a chartered bank, and to be used to re-invest in the purchase and improvement of further lands.

Some amendments to the Act have been made. In 1914, it was provided[a] that in any case where a purchaser of land had made an initial payment to the Board, and before the date set for the second payment arrived, gave up to the Board or abandoned the property, thereby making a resale of the same by the Board necessary, the Board might, if it thought wise, vary the terms as to the amount of any payment to be made by the second or later purchaser. By the same amendments, it was laid down that the Board should at all times be directly responsible to the Minister of Agriculture and that the Board's Secretary should submit to the Minister monthly reports containing a complete statement of the Board's operations. Further, the Lieutenant Governor in Council was authorized to borrow an additional $50,000 for the purposes of the Act. Another amendment in 1915[b] provided that all money raised by loans under the Acts of 1912 and 1914 should be deposited to the Credit of the province in an account to be kept by the Provincial Treasurer for the Board; and that all money should be paid out of such account by warrant in the usual manner upon the applications of the Minister of Agriculture.

(a) New Brunswick Stat., 1914, Ch. 43.
(b) N.B. Statutes, 1915, Ch. 50.

In order to secure desirable farms, the Board catalogues all farms suitable for settlement, together with all available details of the same. When a settler decides to purchase a farm he makes an application to that effect to the Board's Secretary. One of the members of the Board, acting as an inspector, then visits the land and reports on its value, suitability, etc. If the report is satisfactory to the prospective purchaser, the Board buys the property and resells it to him according to the provisions of the legislation. The title to the land is retained by the Board until the purchaser pays the full cost of the farm, at which time the property is transferred to him. An effort is made to assist young men who may desire to settle near their relatives. Failure to make payments as agreed upon results in the farm being taken over by the Board, i.e., if such failure is due to wildful negligence or illegality. On the other hand failure to meet payments due to circumstances beyond the control of the purchaser will receive the Board's special consideration.

For some years after the Act was put into operation no annual reports were published, but during the last few years annual financial statements as to the Board's standing have been made. Probably the chief reason why reports were not issued during the earlier years was that the volume of business transacted was not sufficient to justify their issue; further, it is more than likely than an increase in the demand for farms under the Act occurred during 1918, 1919 and 1920 and

that such increase warranted the issueing of regular reports. The general feeling of those in charge of the administration of the Act is that it has worked out fairly satisfactorily.(a) Frequently it has been found necessary to transfer properties from one person to another on account of the first purchaser failing to meet his obligations. When the Act was first passed some opposition was apparent on the part of the regular mortgage loaning institutions because it loaned money to purchasers at 5% interest. This opposition soon largely disappeared, however, because the Board confined its workings to vacant farms which did not come within the purview of the loan companies operations.

With regard to the Act itself, the chief objection one might offer is that it has not been carried out on a sufficient ly large scale to result in much benefit to anyone. The expenditure of $100,000 or $150,000 in land which is cleared and ready for cultivation seems to us like experimenting on a very small scale.

The system is highly paternalistic and the money required for its working must be paid by all the tax-payers of the province; but insofar as the operations are limited the taxation cannot possibly result in hardship or a burden on the Secretary. It seems difficult to understand how the Government could secure funds, in the present condition of the money

(a) Communication received from F. E. Sharp, Secretary, Farm Settlement Board of N.B., dated January 31, 1924.

market at such a rate as to make it possible to loan to the farmers at 5%. On the face of it, the transaction seems impossible. When the Act was passed, of course, money rates were lower and the money borrowed by the Government could be had at the 4% rate authorized. This leaves a 1% margin for operating costs, when 5% is charged to the farmer purchaser. The balance of $130,614.34 to the Board's credit in the bank on October 31, 1923[(a)] will not be drawing 4%, the rate which the money costs the province when it was originally borrowed, but the regular 3% interest. If an amendment to the Act were made whereby this balance could be deposited in a Trust Company or some savings institution paying 4% or higher interest, the Province would be assured that it could not lose on the money already borrowed at the 4% rate. Very extensive operations could not be undertaken without the expenditure of far more than $130,000 now in the bank, but to borrow money at present prices would mean either increased interest rate to the farmers or financial loss to the Board. One objection to the small scale operations so far carried on is that practically the same costs of administration have to be met as if millions of dollars worth of business were carried on. The same Board must be paid, the same Offices kept up, etc. Since the margin necessary for administration becomes narrower as the volume of business grows, it would seem highly advantageous

(a) See foot note (a), page 291.

to operate on a wider scale. The full 1% allowed at present for operation cannot be reduced and there will be but slight advantage either to the farmer or to the Government until the volume of business increases greatly. Another fact - in this case working in the Board's favor - is the low price at which the lands in which it deals can be purchased. As it deals in idle and vacant land of which the owners are usually more than anxious to be freed, it is obvious that it will have to pay much less than if it were dealing in lands most in demand. As already stated the Board has not encountered active opposition from mortgage companies because it does not venture into their territory. If it were to extend its sphere of activity over all parts of the province and loan to all farmers desiring loans for land purchases, there would doubtless be far greater opposition with which to cope. If it could extend the advantage of a 5% interest rate to the farmer borrowers throughout the province, it would be rendering the latter a distinct service, but it is very doubtful if such service could long survive the opposition. In any case, if the Farm Settlement Board should decide to supply the long-termed credit needs of all parts of the province, the amount of loaning capital needed would be many times that now borrowed and at the Board's credit at the bank. To pay for that additional capital at present rates of interest would preclude the making of advances to farmers at anything like 5%. Another objection to the provi-

sions of the Act is the short term which land purchasers are allowed in which to pay for the land. Ten years is far too short for this purpose if the land is at all expensive or the prices of farm products are low, as at present. The ten-year period may prove ample for the repayment of land at the Board's selling prices, but if its operations were extended to include the purchase and resale of the more expensive farms, the ten years would have to be extended to at least twenty and probably thirty in most cases.(a)

In completing our account of the system, we may say that its extent of operations has not been sufficiently wide to make it an important factor in land purchasing in the Province. Again, if the Government could have borrowed several millions of dollars several years ago at 4% rate which it paid for the small amount which it did borrow, that money might today have been used to help many men buy farms. It is very unlikely, of course, that such a large amount of money could have been kept out of other urgent war uses in the intervening years and, therefore, would not now be available for land purchasing purposes. Finally, we may say that if the scheme has not done a great deal of good, neither has it been responsible for much sacrifice on the part of any class of people in the province.

So far as a demand for a regular scheme of rural credits is concerned, it cannot be said to have ever been very urgent.

(a) The average value of occupied farms in N.B. in the year 1920 was $35 per acre. Canada Year Book, 1921, page 236.

At the annual Convention of the United Farmers of New Brunswick, the rural credit system of Manitoba was explained to the delegates and various opinions regarding it were expressed. E. R. Trites, one of the best known farmers in the province, declared that considering conditions in the past the establishment of rural credits would be a step in the wrong direction. He stated that there were times of the year when the farmer had to go to the banks for loans, and that invariably obtained credit from the banks when it was refused by neighboring merchants. The general opinion of the Convention was that the banks were more liberal in the matter of loans to the farmers in the Maritime Provinces than in Manitoba or other Western provinces. Apparently, the delegates were not much interested in the western scheme, although they adopted the principle as a matter of course.(a)

A year later, however, this attitude of indifference towards rural credits was exchanged for one of urgent demand for some system, at least on the part of a certain element of the farming population. Proposals that New Brunswick adopt a system of provincial loans to farmers arose out of the discussions at meetings in the potato-growing section of the Province. That section had been more or less hard hit by the depression in the market. The proposals drawn up at these meetings were urged upon the Government on Dec. 5, 1922, by a Delegation headed by T. W. Caldwell, M.P. and

(a) Financial Post, Feb. 11, 1921, page 19.

(4) to appoint a Board of at least three members, and from time to time to remove from office any or all the members of said Board and appoint others in their stead. Such Board shall be known as the Farm Loan Board of the Municipality appointing it.

(5) to delegate to such board all or any of the powers or duties conferred upon the Municipality by the Act.

(6) to make rules, regulations and do all other acts and things that may be necessary or incidental for ans to the carrying out of the Act.

All loans made under the Act must be secured by first mortgages on farm land situated within the Municipality. Every mortgage given must contain a specific agreement by which the mortgagor will provide for the repayment of the loan with interest on the amortization plan by means of not more than 30 equal annual instalments sufficient to cover the principal and interest and to extinguish the debt at the end of the period stated in the mortgage. No rate of interest is definitely fixed, but it is stated that the rate which the municipality must charge must be sufficient to pay the interest on the securities issued under the Act by the Municipality to provide funds for making such loans, but in no case may it exceed six per cent.

The various purposes for which the loans may be given are practically the same as those offered by the Ontario and manitoba Government loaning schemes, and include that of "acquiring land for agricultural purposes and the satisfaction of encumbrances on land used for such purposes."

By way of comment we must say that the delegating of the

loaning to the Municipalities ~~xxx~~ is a distinct departure in Canadian practice. Probably the plan has both good and bad points. In its favor may be said that if loans are advanced too freely, only the Municipality concerned suffers and not the tax-payers of the entire province. Again, it may be expected that the Board, being composed of persons intimately acquainted with local farmers, will be in a better to judge as to the safety and extent of loans. As counter argument to this it may be urged that it will prove impossible to secure the services of men in each municipality of business calibre equal to that possessed by specially-selected centralized Provincial Board members, and further that such a central Board, due to greater practive and experience, would be more competent to appraise the land offered as security. Another objection to the system is that the volume of business which is likely to be transacted in any one municipality will not be sufficient to allow a low operating margin. Instead of making provision for the expenses of one Board, the Provincial business is spread over many Boards. The system as outlined it may also be said, gives an opportunity for each separate municipality to adopt this system and, therefore, obviates the necessity of its becoming a compulsory partner in a provincial wide scheme which it does not need or approve, or which does not satisfy its needs. This was doubtless the reason why the power of lending was delegated to the municipalities rather than being exercised by the Provincial Govern-

ment. There were only two counties that were asking for loans and it was thought that it would be manifestly unfair to impose a financial penalty on the whole province in order to relieve a purely local situation.(a) Under the circumstances it seemed that the municipal Council in each township of these two counties was the proper machinery to secure the necessary money to make the loans. But obviously the Provincial Legislature could not give the power to so borrow money and lend to anyone or two counties without extending similar authority to all other counties. Those other counties, however, have the great advantage that they are not compelled to make use of the authority given. From information available(b) it seems likely that the Act was only intended to be a temporary measure to relieve some of the financial difficulties of certain farmers who had lost money by growing potatoes.

As to the general regulations, about the only provision the wisdom of which might be regarded as questionable is that which allows the amount of the loan advanced to be equal to 75% of the value of the land offered as security. This percentage is distinctly higher than that allowed by any other Government institution or by any ordinary loaning company operating in Canada. Unless care is taken not to allow advances to this legal limit, we feel that in many cases there would

(a) From a letter rec'd from F. E. Sharp, Sec. Farm Settlement Board, dated March 26, 1924.
(b) See footnote above.

be only a narrow margin of security. So far as can be learned[a] the Act has not yet been put into force by any of the municipalities. Whether this may be taken to indicate that the need for such financial assistance was after all not urgent, or that the municipalites were opposed to seeking assistance from the whole province rather than providing it themselves, or whether such municipalities were unable to borrow the money at the 5% rate or ~~[illegible]~~ felt incapable of operating such a system it is difficult to find out; but any or all of these factors may have been responsible. Our final and chief objection to the whole scheme is simply our main objection to all provincial and Dominion Government loaning shhemes, the presence of paternalism, of too much state aid. Whether money is loaned by the Dominion, the province or the municipality, the principle involved is the same. Public funds have to be used and all such funds are regarded as "easy money" which does not need to be repaid until the borrower is amply ready. This is thoroughly demoralizing to the individual borrower, because he is allowed to violate the terms of the contract under which he secured the loan and to relax his sense of business, integrity and honour.

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(a) See footnote (a) on page 299.

CHAPTER XIV

FINANCING OF LAND PURCHASE IN NOVA SCOTIA

As is the case in most of the Canadian provinces, unoccupied and unalienated Crown land can be obtained in Nova Scotia very cheap. There are no free lands, but conditions prescribed by the Crown Lands Act of the Provincial Assembly(a) and an amnnding Act of May 1912 procide that any applicant over 18 years of age may secure the grant of as much as 150 acres of the Crown lands at the price of $1.00 per acre in addition to the expenses of survey. Several Acts have dealt with the disposal of the Crown land, but it is surprising that over a period of 60 years (1864-1924) the money price demanded for the land has risen only from 44 cents to $1.00 per acre. An Act(b) passed 60 years ago empowered the Commissioner of Crown lands to sell land to any person applying for the same upon their making immediate payment therefor and at a price set from time to time by the Lieutenant Governor in Council. It was provided, however, and very wiselt we think, that no grant exceeding 500 acres could pass to any single individual unless the Goverhor in Council gave special sanction. In 1873 it was provided(c) that land reserved for settlement and improvement

(a) 10 Edward VII, Ch. 4, Sec. 26.
(b) Revised Stat. of N.S., 1864, Ch. 26.
(c) " " of N S., 1873, Ch. 11.

was to be subdivided into 100-acre lots, and that any individual purchasing such lands could not secure a greater area than 300 acres except by special order of the Lieutenant in Council. The price to be paid for all Crown lands granted for agricultural purposes was 44 cents per acre. Purchasers were given the option of building roads as part payment for land. A final Section (section 19) of the Act provided that any person who had been in possession of Crown land for a period of 60 years might receive agrant thereof without payment being demanded. Persons in possession less than 60 years could be required to take a grant of theland held in possession and in addition to pay the regular price.

The same year an Act(a) was passed making provision for the formation and regulation of corporations, purporting to engage in the settlement, improvement and sale of provincial Crown land in certain parts of the Province. The Act stated that "Whenever any British Subjects desire to form an Association for the purchase and improvement of Crown land on the lines of the trunk line of railroad from Halifax to Quebec, they may transmit the names of such persons, not less than 20, to the Commissioner of land and Immigration, to be transmitted to the Lieutenant Governor of the Province; who shall therefore, if with the advice of Council, it be deter-

(a) Revised Statutes of N S., 1873, Ch. 38.

mined to invest such persons, not less than 20, with corporate powers, direct their names to be inserted in the Royal Gazette, and a patent to issue clothing such perons and their co-partners with the privileges and liabilities of a corporation." Definite terms were laid down, subject to restrictions by the Governor in Council upon which such corporations were to operate. They included a requirement that the corporation's name and those of its directors be retained in the Office of the Provincial Secretary; that the directors should be liable to the whole extent of their fortunes for the debts of the Company; that the shareholders should be liable only to the extent of their shares, that any such company must purchase 50,000 acres of Crown land on the line of railway named at a price to be determined by the Lieutenant Governor in Council and that if the Company should desire to purchase a further quantity, it might do so whenever 1/2 of the original 50,000 acre purchase had been sold and settled; that the lands so purchased were to be laid off in 100-acre lots at the Government's expense and numbered on the plans from 1 to 500; that every lot on which there was not a house actually occupied, and at least 5 acres cleared and improved at the end of ten years from the date of the Company's purchase, should revert to the Crown; that the capital of the Company should be limited to $200,000, but could be increased by $4 for every acre of land bought from the Government above the 50,000 acre quantity specified; and finally, that the company might lay off

and sell its lands so purchased in town lots or blocks of less or more than 100 acres, at their option, but only so long as such subdivision and sale should be for the public advantage. We have not been able to discover that use of any was made of the Act here mentioned, but from the experience of other Canadian Governments with similar corporations noted elsewhere in the present study, we conclude that a very full use or measure of satisfaction has not resulted.

A futher Act[a] dealing with the disposal of the Crown lands of the province set the price to be paid for some at $40 per 100 acres or $20 for 50 acres or less if sold in such quantities. In addition, special provision was made for persons who had improved and occupied land for 5 years or more prior to March 10, 1882. The price to be paid by such persons was to be $20 for each 100 acres, or for each tract less than 100 acres. The same Act further provided that those in possession of Crown land for less than 60 years could be compelled to pay for the same and take a grant thereof unless their possessions were subject to emcumbrances by mortgage or otherwise.

Another Act[b] containing identical terms with that of 1873[c] was passed in 1884. It is not exactly clear why the

(a) Revised Statutes of N.S., 1884, Ch. 9.
(b) " " of N.S., 1884, Ch. 40.
(c) See foot-note (a) on page 302.

Government should have found it necessary to pass this Act as there is no indication that the previous Act, bearing the same provisions, had been repealed. It would seem, however, that either the earlier legislation had been repealed prior to this late enactment or that the previous Act had so long remained a dead letter that it had become a matter of necessity to bring its contents and purport to the notice of all interested by the passage of a new Act reaffirming the original provisions. In any case, so far as can be ascertained, neither of the two Acts has been put into effect to any appreciable extent.

Some more or less important alterations in the land regulations were made by the "Crown Lands Act" of 1900.(a) That Act fixed the price of land in all ordinary cases at 40 cents an acre and providedthat no grant could issue for less than $20. An exception to this general rule was made in the case of any applicant who could prove that he had occupied at least 3 acres for at least 5 years prior to the dateof his application to purchase, and had cultivated and improved the same during such period. Any such applicant was to be allowed to purchase Crown land, including the part so improved and cultivated, at 20 cents per acre, provided that no grant for less than $20 be made and also that no larger area than 250 acres be granted.

(a) Revised Statutes of N.S., 1900, Ch. 24.

An Act which introduced provisions similar to those required by the preemption regulations of British Columbia or as were required by the Dominion Land Regulations while the preemption system was in force, was passed in Nova Scotia in 1910 and called the Crown Lands Act.(a) That Act states that any person may apply for a grant of any Crown Land by petitioning the Commissioner of Crown land and if such petition is accompanied by a deposit of $25. If the Commissioner is satisfied that the land applied for is suitable for farming and for farming only; that the applicant is at least 18 years old and that the area applied for does not exceed 150 acres, he may approve the applicant's petition. He may then grant a permit to the applicant to enter into possession of the lands so applied for. Such a permit shall authorize the petitioner to occupy the land therein described, and to exercise the same rights as to actions, or prosecutions for the enforcement of his right of possession as if he had a grant of the said land from the Crown. If the holder of the permit takes possession of the land and within two years thereafter builds a house thereon and resides upon the land for at least three successive years, and cultivates at least 10 acres, he becomes entitled to a grant of the said land upon payment of the balance of the purchase money. The price of such land is set at 80 cents per acre in addition to the expenses of survey, but it is provided that no grant may issue for a less

(a) N.S. Statutes, 1910, Ch. 4.

sum than $25 in addition to the survey expenses. A provision is included whereby the Lieutenant Governor in Council may, on the recommendation of the Commissioner, cause to be purchased and resurveyed to the Government for the benefit of the province any land previously alienated. Any land so repurchased is to be disposed of as if it had never been granted. TheAct does not state why this clause was inserted, but in all probability it was meant to provide for cases where purchasers, whether individuals or land corporations, had failed to live up to settlement conditions stated in the purchase contracts.

The regulations regarding the Crown Lands remain as stated above except that an amendment to the 1910 Act above described was passed in May 12.(a) By that amendment the price of land was to be raised from 80 cents to $1.00 per acre. In all other respects the regulations remained as before. The settlement of Crown land was proceeded slowly of late years owing to the greater ease of settlement in the prairies of the West. Of the Crown lands of Nova Scotia there remained in 1921 a total area of 808,329 acres.(b)

It is, however, not in the disposal of her Crown Lands that Nova Scotia offers her chied lessons in land purchasing of financing. It is rather in the manner that she has attempted to deal with the purchasing of lands already alienated

(a) N.S. Statutes, 1912, Ch. 70.
(b) Canada Year Book, 1921, p. 778.

but for the most part abandoned or held productively idle. For the same reason as New Brunswick, Nova Scotia, during the first decade or more of the present century, lost many of her farmers and farmers' sons. The full tide of immigration to Western Canada has set in and the promise of large areas of cheap, level and fertile land proved too strong an inducement for many of the more ambitious and venturesome members of the farmer class of Nova Scotia. Farms long settled were sold cheap or openly abandoned in order to undertake homesteading on the Prairies. The movement continued with cumulative force until by 1912 the Nova Scotia Government concluded that some special counter-inducement would have to be offered if the wholesale desertion of farms was to be checked. With that end in view it passed, after considerable deliberation, in 1912 an Act entitled "An Act to encourage Settlement on Farm Lands in Nova Scotia." (a)

That Act provided that whenever a loan company would agree to advance to a farmer on mortgage of his farm and buildings on terms approved by the Lieutenant Governor in Council, an amount not exceeding 80% of the value of such land and buildings, as appraised bu such Company, the Lieutenant Governor in Council, upon such appraisement being confirmed by the inspector, and upon receiving a report from the inspector, would be empowered to authorize the Provincial

(a) Nova Scotia Statutes, 1912, Ch. 10.

Secretary and give a guarantee in writing to such Company, against loss on any such mortgage to an amount not exceeding the difference between 50% of such appraised value and the amount of the loan, together with interest thereon. Further, it was provided that whenever a loan company might agree to advance an amount up to at least 50% of the value of the land and buildings offered as security, the Lieutenant Governor in Council could arrange with the loan Company to advance to such farmers through the Company, an additional amount not exceeding the difference between 50% and 80% of the company's appraised value of the security, provided that this additional amount of advance did not exceed $2,500 on any one loan. In the matter of repayment of the loan, it was provided that all repayments of principal made on any mortgage given under the Act should be first applied by the loan company towards the reduction of any government guarantee or advance. It was provided, further, that the Lieutenant Governor in Council might agree to defer the repayment by the farmer of the instalments of principal and interest on the additional amount loaned or guaranteed by the Lieutenant Governor in Council, for a period not longer than 5 years after the loan was made. The Act made provision for rather sweeping action by the Government in the matter of farm settlement. The Lieutenant Governor in Council was empowered to purchase real estate in farming districts, subdivide it into farms, erect buildings and fences, prepare the land for

crops and sell it to farmers in any amounts approved by the Government. For the purpose of providing a fund for such purchase and improvement the Lieutenant Governor in Council was authorized to borrow, on the credit of the Province, any amount up to $200,000.

Since the original legislation was passed, several minor amendments have been made.(a) Of these amendments only those of 1913 need be mentioned. By the changes effected in that year, the Government is empowered to guarantee an amount not exceeding the difference between 40%, instead of 50% of the Company's appraised value and the full amount of the loan. In addition to this guarantee, the Lieutenant Governor in Council is authorized to further guarantee on behalf of the province for a term not exceeding 20 years, the payment of the bonds and interest thereon of any loan company to the extet extent of money advanced or agreed to be advanced under the Act. This latter guarantee is to be given upon whatever terms and conditions the Lieutenant Governor in Council may prescribe. A section of the amendment, also, makes further use of cooperation with the loan companies in its land settlement work. The section of the 1912 Act making provision for active land purchase, improvement and resale by the Government is repealed by the 1913 amendment, and the following substituted: "The Governor in Council is authorized to purchase real estate in farming districts, sub-divide it into farms or lots, repair,

(a) N.S. Stat., 1913, ch. 56; 1915, ch. 35; 1919, Ch. 7.

alter or erect buildings and fences, prepare, till and seed the land, buy stock and implements and sell said real estate stock and implements to selected farmer settlers in such amounts, on such terms and on such security on the property sold as are approved by the Governor in Council, and the Governor in Council may employ any approved loan company to act as agents for the collection of principal and interest thereon." It will be noted that the main provisions are the same in substance as those of the original (1912) legislation, except perhaps that the scope of operations is made even wider. The chief change, or rather addition, is the part making provision for the employment of the loan companies to carry out the actual financial end of the transactions authorized by the Act. The obvious intention of this is to make use of existing financial machinery and to obviate the necessity of duplicating that machinery by creating a Government Board. Not only does it lessen operating expenses but it removes the Government from tinkering too directly with the land settlement business. The 1919 amendments made the very important change of extending the duration of the loans made from 15 to 30 years and to provide that repayments should be made on the amortization plan. The original term was too short to be useful. We are not aware that the Government has taken active measures as yet to put the land purchasing, improvement and resale provisions of the Act into effect. In the matter of

advancing loans on mortgage through the loan companies the province did take immediate steps to reap any possible advantages of the regulations.

The Government arranged with a loan Company - the Eastern Canada Savings and Loan Company - to make the loans for it, and all the loans so far made have been handled by this one Company.(a) The Company arranged with the Government that the latter supply it with funds by placing the Company's debentures on the market through the Governments' agents. In this was it was hoped that the Government's guarantee of the debentures would induce investors and secure the funds at a lower rate than if the Company were to float the debentures itself. The conditions of the agreement between the Government and the Company were that the debentures were to be floated at 4% and that, if money could be borrowed atthat price, the company would loan the money raised by the flotation of the debentures to the farmers charging 6%. If the Government found that it could not get funds at less than 4 1/2% then the rate to be charged the farmers was to be 6 1/2%. In every case the Company would operate only if a 2% margin were guaranteed. When it is remembered that practically all the Government loaning schemes already examined operate on a one per cent margin, and that their officials are unanimous in stating

(a) From private letter received from J. A. Clark, Mgr. of the Eastern Canada Savings and Loan Company, dated Feb. 6, 1924.

that one per cent is ample for operating expenses, it can be readily understood that the company makes an extra one per cent profit. If Governments can loan on a one per cent operating basis and have a balance remaining, then surely a loan company operating on a 2% margin will have a considerable amount of profit.

As the war broke out shortly after the Government began to put the Act into effect, it was not possible to float more than $50,000 worth of debentures and that on a 5-year period only. And, of course, when that 5-year period had elapsed, the money market was in such a state that the holders of the debentures would not renew them at anything like the previous rate. The Government being unable to raise the necessary money, the Company's own money was used to finance the farm loans, and this has been the method employed in raising loanable funds ever since.

The first loan dates from March 1913, and the last, Nov. 1922. During the intervening period the Company has advanced to:

Seventy-one farmers	$152,000
On farms values at	190,000
The N.S. Government guarantee	76,000
The Company was liable for	76,000

the Government guarantee decreasing as the principal decreased. Of the 71 borrowers, about 11 or approximately 15% failed, 6 of these being foreigners who were more miners than farmers, i.e. during the winter months they worked in the coal mines, and in the summer, presumably on the farm; but if the miner's

wages were good, the farm would suffer.

When the Act providing for this methods of loaning was being discussed in the Provincial Assembly, the attitude of its sponsors and opponets alike was to act very conservatively in the matter.(a) The Bill was introduced and sponsored by the then Premier of the Province, Hon. Mr. Murray. In his remarks when moving the second reading of the Bill, he stated that for some time past the Government had been desirous of inducing a larger number of immigrants in the province, but that experience had shown that in attempting to realize that desire it had been confronted with a number of political difficulties. In the first place, for many years active agencies had been at work inducing immigrants to go West and one of the inducements held out was the claim that Western lands were free to immigrants. He thought that the average immigrant would regard that as a very important factor. In the second place, he said that the farming problem of Western Canada did not present the same difficulties as were noticeable in the Eastern Provinces. Thousands of men who had gone to the West were quite prepared to testify to the effect that they had "made good" there, that Western farming was simply a question of planting wheat in a fertile soil, and certainly the planting of wheat could not be regarded as an operation requiring a high degree of scientific knowledge on the part of the farmer. On the other hand, the difficulties that faced Nova Scotia

(a) Debates on this Act contained in 1912 Debates & Proceedings of the House of Assembly of N.S., pp. 184-191.

in this respect were both real and considerable. In the first place, there was no free land equal in quantity, freedom from stumps and stones and in fertility to that of the West which could be offered to immigrants. In the second place, the matter of selecting a farm in Nova Scotia was difficult. Even old experienced farmers of the province would find it difficult to choose a new farm. This was due to the uneven character of the surface and soil of the province. Some localities were specially favored as to soil and climate but others offered no guarantee of financial success owing to the impoverishment, etc. The first thought, then, in the mind of the sponsor of the bill was to assist in some way the selection of farms. He thought that if agricultural experts were to select 200 or 300 of the farms offering best chances of success to the immigrant, the province would thereby be eliminating one of the most serious difficulties that then stood in the way of people desirous of settling in the province. In order to make clear his exact meaning, Mr. Murray cited a hypothetical example. He supposed that an immigrant entirely unacquainted with Nova Scotia, should land at Halifax. If such a man were obliged to select his farm without the assistance of an expert and without knowledge of local conditions, he would be confronted with a very serious problem, a problem partaking largely of the nature of a gamble. If the province desired to have bona fide settlers upon its vacant farms, the Government

should take the responsability of selecting the farms upon which the newcomers would settle. Unlessit did so, no very high percentage of success could be reasonably expected. If the province allowed immigrants to settle in various parts of the province without discrimination, it was certain that they would not all succeed. For this reason the province should take the responsibility of saying to an immigrant that this or that farm selected in various part of the province by people with a knowledge of local conditions, was right as to price, as to locality and as to soil; and that it would, therefore, afford all the advantages that he might desire. Such a step, if carried out properly, would go a long way in the direction of bringing about successful immigration to Nova Scotia.

Having selected a suitable farm, the Government's next step would be to select the immigrant or other settler who would purchase the farm. To do this, the Premier urged that the Provincial Government go to the British Isles or elsewhere and inform possible immigrants that the Nova Scotia Government had a certain number of farms of a certain type which it had arranged to purchase at a certain price. Having located the farm and also the would be farmer, what further assistance could the Government proffer? What was the best aid that the Government could give this man consistent with sound business principles? Suppose such a man - a good farmer - were to land at Halifax and that he had a $1000 in his pocket.

Upon going to the immigration office and asking where he might locate a suitable farm to settle upon, he would probably be told that farm listing was not part of the Government's business. After leaving the Office, however, he might perhaps be fortunate enough to find in his lone wanderings a farm to his liking. The next thing would be to make a bargain with the owner. When he asked the price of the farm he would probably be told $2,000. This price might be reasonable enough to suit the customer but upon further questioning he might find that the owener wished $2,000 in cash. As the immigrant has but $1000 it was obviously impossible to close a bargain unless he could in some manner borrow the other $1000. In an attempt to borrow the money in Halifax or some other urban centre he would be informed by loan companies that they did not lend money on farm property, and in any case would certainly not consider lending to a total stranger whose credentials were unknown. After meeting with such a cool reception and being informed that no one wanten farm property as security because every body was leaving the farms, the prospective settler would not only lose faith in his prospects but would naturally conclude that nobody in the province had faith in it. And if people who knew the province had no faith in it, why should he have any? Unless something were done to remove such a possibility, active or rapid settlement of Nova Scotia farms could not be expected.

As a solution the Government had first contemplated the raising and loaning of money directly by itself, but on second

consideration decided that the instant the Government became responsible for the loaning of this money direct to the immigrant it might bring political criticism, which was, to say the least, undesirable. Already organized loan companies were well managed and eminently successful business institutions throughout Canada; they were business and not political institutions, their guiding officials were amongst the country's leading citizens and were best fitted to remove every possible vestige of political consideration. If the Government were to go to such companies and place the farm loaning proposition before them, there was little doubt that it would get a good reception. If the Government made it clear that it wanted the companies to exercise sound business principle, the same as they did in their regular loaning business, there would be little danger of financial loss. The Government would not be giving the loan companies any money. Any money loaned would be the loan companies own money and that fact would assure it being advanced with due care. The only respect in which the Government would be involved would be the guaranteeingof the repayment of a certain proportion of the money loaned by the Company. This guarantee should be given only in order that an immigrant settler might be able to borrow mortgage money on the same terms as loan companies were willing to lend to people of the province with whom they were personally unacquainted. If the Government became responsible for some of the risk caused either by the fact that the land offered as secu-

rity was not as desirable as that usually loaned on by the loan company or by the fact that borrowers were unknown to the Company's officials, then it was natural to expect that the Companies would be willing to advance money where otherwise they would hesitate or absolutely refuse.

When the "1913 "Amendments to the original (1912) Act" were before the Assembly, there was practically no discussion. The mover of the amendments was th mover of the original bill (Hon. Dr. Murray) and when introducing the second bill he simply stated that the amending Act would open up a larger view of the loaning of money than had been the case previously. (a)

In drawing our conclusions as to the results achieved or the future possibilities of the system introduced in Nova Scotia, we are forced to say that the results so far attained by the plan are infinitesimal. Of course, it must not be forgotten that Nova Scotia is the second smallest province in the Dominion, and also that the work carried on by the Act was either during the war years when settlement by new men was practically impossible under any method of financial assistance - new settlement in that period simply was not going on - or during the post-war years when farm produce prices, for t the most part, have not been sufficiently high to warrant rapid settlement on the land. In all justice to the Nova

(a) Debates & Proceedings of N.S. Assembly, for 1913, page 495.

Scotia experiment, therefore, these facts should be taken into consideration in arriving at a reasonable conclusion as to its results and certainly the ultimate success of such a plan should not be calculated on the basis of its success or lack of success thus far. But, allowing for these rightful considerations, it would appear that several additions must be made to the legislation before the best results to be obtained from its application can be hoped for.

For one thing, until 1919 there was no provision made for an amortization system of repayment. The loan company might loan for a five, ten or fifteen year period as it saw fit and might demand repayment on terms to suit itself. To provide that loans may be secured for 25 or 30 year-periods and be repaid in say 25 or 30 equal annual instalments of interest and principal, may be departing considerably from the established practice of loan companies but it is submitted that such provisions are absolutely necessary in the loans used for land purchasing. Among other suggestions which might be made, it might be added that it should be possible for the Government to guarantee the repayment of 40% of the loan for the full term during which it is to run, rather than having the Government guarantee decreasing as the principal decreased. If it is not risking too much for the Government to guarantee 40% of the repayment at the beginning of the loaning term, why we ask, should it be assuming any greater as the end of the loaning term approach? On the contrary, one would expect that, if the

loan was given judicially and used advantageously, it would serve to increase and not decrease the value of the security as time went on. We see no reason, therefore, why the Government and the Company should not assume equal and the same liability until the loan terminates. A third suggestion concerns the matter of procuring the loaning funds. To the writer, the plan originally agreed upon whereby the Government would float the Company's debentures seems a good one. If the company is well established with plenty of available assets, the Government can run little risk in guaranteeing its debentures. And, of course, the fact that the Government guarantee is behind securities of any kind results in a more rapid demand on them on the part of the investing public. A more rapid demand is signified by lower rates of interest, so that if, by the Government guaranteeing the debentures of the loan companies, funds could be obtained at lower prices than the companies themselves could get acting indepedently. The benefit of the cheaper money would go to the farmer borrowers. It might be suggested that if the Government guaranteed the debentures of the loan companies, it would thereby be giving those particular companies engaged in making farm loans for it an unfair advantage over other loan companies. To this it may be replied that the Government guarantee could not extend to debentures sold for any other purposes than that of raising money for farm loans under this Act, and that, therefore, the regular business of the loan companies would not be interfered with in any way.

More plausible objections might be offered to allowing the loan company a 2% margin for carrying on the business since Government-established loaning Boards have demonstrated that a 1% margin is more than sufficient to meet administration expenses. This objection might call forth the counter objection from the loan companies that government schemes are not operated with a view to profit whereas the extra 1% of a margin charged by the companies is all that the shareholders in such companies have to depend on for their living. It might perhaps be claimed that the scale of loaning business carried on in Nova Scotia by such loan companies for the Government is not anything like as large as that carried on by the government boards in several of the other provinces, and that should the Nova Scotia business grow to a pararelled extent the loan companies might be enabled to reduce interest rates. To this argument it might be replied that the number of loans made by any loan company or companies in Nova Scotia or any other province would probably constitute a very small proportion of their total business and that the profit to be derived from them must form but a small part of the total profits from their loaning business. Whatever arguments are advanced from either side, it must be granted that if a loan company is to perform a loaning service it must receive payment in the form of profit for its work. And as to the rate of that profit, negotiations might result in a lower rate being granted than that so far allowed in Nova Scotia.

In reviewing our remarks on the system, we may say that in our estimation, it offers many distinct advantages. Among them, that of keeping the Government out of the field as direct lender is by far the most important. Economy in the matter of administration by allowing already-existing and experienced financial machinery to do the work is another and very important advantage. The fact that it may tend to mitigate the ill-feeling and bitter opposition of organizations already in the loaning field which would come, and has elsewhere resulted, from the entrance of the Government into the business is a third very real point in its favor. Against the system it may be said that it allows the advancement of loans on security which is not and would not be accepted by the loan companies without the Government guarantee. If that security was actually insufficient for a company specially organized for the business of loaning on mortgage to consider, why should it be considered to be increased by the mere fact that the Government has undertaken an additional share of responsibility? If the person was not deserving of a loan before, why should he be after Government intervention of this sort? And, further, that very security is lessened because the Government, by its guarantee, makes it possible for the borrower to get an 80% advance in all whereas before he could not procure over 50%. The debt made to rest on his shoulders in the way of additional interest is thus greatly increased. However, there is no reason why the rate should remain at 80% rather than at 60% or 50% if such were found more advisable.

At the same time, it is advisable to encourage people to start farming by making it possible for them to have too little initial private capital. Taken as a whole we feel bound to say that the Nova Scotia experiment is one which is worthy of the closest study and development. In principle it appears very sound, no matter to what extent, if at all, the principles may appear to work out adversely in practice. As there as loan companies well established in every province of the Dominion, there would seem to be boundless possibilities for this method of loaning if it can once be shown to be capable of producing extensive benefits. It should certainly keep interest rates at a minimum, guarantee greater certainty of a loanable supply of capital and on better terms of repayment, and should not meet with any very serious opposition on the part of any one element of the population. Being managed by private officials it should be largely removed from political influences and to that extent ensure both permanence and business success. When first adopted by the Nova Scotia Government, it was thought to be the only method of its kind ever tried, but it was learned later that the plan had been adopted to a certain extent by the English Government in respect to Egypt and other parts of the Empire where cheap money was desirable. (a) A knowledge of its working in those countries might well repay careful study if information is available. So far as Canada is concerned, the plan is unique and as it was devised by the Nova Scotia Government without knowledge of previous use having been made of it.

(a) Debates of N.S.Assembly, 1913, p.495.

to that Government must go considerable credit.

Apart altogether from the legislation described above, which presents by far the greatest object lessons from Nova Scotia, the Government of that Province enacted in 1919 legislation to provide loans to farmers for general long-term purposes. That legislation is entitled "The Nova Scotia Farm Loans Act"(a) It provided for the formation of a Board which was to carry out the purposes of the legislation.

All loans made by the Board were to be spent for the acquiring of land for farming purposes, the permanent improvement of farm property, for the building of houses, for farmers' help, and for any other purposes that the Board may consider sufficiently important. No loan can be made for any amount in excess of 70% of the Board's valuation of the property taken as security. In This respect the Nova Scotia regulations allow a greater risk than those of any other provincial system in force in Canada, but this may be at least partially accounted for by the fact that some of the orchard and ~~fruit~~ fruit lands in Nova Scotia are considered a really good security. All loans made are to run for a term of 30 years and to be repayable on the amortization plan. An exception to this general provision is made whereby the Board may, in special cases, remit the payment of the whole or any part of the first five instalments as it may deem such a course expedient. The interest rate is not definitely fixed but is to be such as will pay the interest on the cost of raising

(a) N.S. Statutes, 1919, Ch. 27.

the money to be loaned and the expense of operating the business of the Board. The loaning fundsare to be paid to the Board by the Provincial Treasurer but provision is also made for the reception by the Board of money from the Dominion Government. In order to provide the funds required to make advances to the Board, the Lieutenant Governor in Council is empowered to authorize the Provincial Treasurer to raise a loan up to an aggregate amount of $250,000 upon the credit of the province. And whenever the Board receives an advance it must assign to the Provincial Treasurer am equal amount of mortgages taken as security for loans. The system introduces a few slight innovations not noticeable in the regulations of other provincial systems. The principle employed, however, is the same and need merit no further attention. For reasons undisclosed, it has not been considered advisable to put this Act into operation and consequently, we are unable to draw any conclusions as to what results might be anticipated from its active execution. (a) It does seem unusual that a Government which in 1912 stoutly refused to loan directly to farmers should have decided to place treasury funds at the disposal of a Government Loaning Board only seven years later. It is possible, however, that the latter system was especially designed for an entirely different class of farmers than that which the earlier system

(a) From a letter received from W.B. MacCoy, Secretary, Industries & Immigration, Nova Scotia, dated January 22, 1924.

was intended to serve. The latter plan makes provision for financial assistance to all farmers, whereas the former legislation provides for new settlers or land purchasers only.

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CHAPTER XV

DOMINION SOLDIER SETTLEMENT SCHEME

Thus far discussion of long-term governmental agricultural loans has been confined to efforts made on a provincial-wide scale. It is now necessary for us to examine what has been attempted by the Dominion Government. That Government, as we saw earlier in our study, has always had various methods of disposing of its unpatented land areas. But in none of the methods of land settlement so far noted has there been any attempt made to furnish land-purchasing money to the prospective settler. In 1917 a distinctive departure from established policy was made when the Dominion Parliament decided to enter the loaning field.

It has long been recognized historical fact that large wars are invariably succeeded by periods of enemployment and very often of emigration of people from the belligerent countries. Anticipating that the world war of 1914-18 would prove no exception in this regard, several of the Canadian Provinces had begun to prepare for the expected influx of settlers as early as 1916. New Brunswick had provided legislation for the establishment of new farm settlements on the community basis.(a) Ontario had made provision for the special treatment of her

(a) N. B. Statutes, 1916, Ch. 9.

returned men as regards settlement on the land.(a) And Prince Edward Island, Quebec and Nova Scotia were seriously considering following the example of their sister provinces. It was doubtless, generally expected that the Federal Parliament would sooner or later take some definite action in regard to the treatment of the returned men, but as that Parliament was already grossly overworked, as a result of the special demands of the war period, it was well that the provinces should have begun to blaze the trail in the matter of land settlement.

In 1917, however, the Federal Parliament decided to initiate land settlement measures of its own. Since Canadian Soldiers were serving as Canadians, not as natives of New Brunswick, Ontario or any other province, it was natural that any special consideration to be meted out to them on their return to the country should be of a national and not a provincial nature. Moreover as soldiers of whatever province of Canada were undergoing equal sacrifices for an identical cause it was but logical to suppose that anything given in the nature of a reward or special recognition should be uniform in character. But it was scarcely possible, much less probable, that measures taken by all the nine provinces would be uniform in character in extent. Another matter to be considered was that of administration expense. If each of the provinces should take steps to deal with their own returned soldiers, then nine different boards of administration would have to be created; whereas if the Dominion Government took full responsability, only one

(a) Ontario Statutes, 1917, Ch. 13.

such body would be required. Again there was the possible danger that some one of more of the provinces might not see fit to undertake any measure whatever in the soldiers' interest. British Columbia, for example, had just about this time undertaken a new and radical step in the matter of land settlement and could hardly be expected to take a second similar step for the sake of her soldiers. A final and probably the main reason for federal intervention was the fact that all land suitable for land settlement in the three prairie provinces was the property of the Dominion, and, settlement upon these lands, could only proceed with its consent. Hence it was obvious that in any case the Dominion would have to undertake a scheme of its own, irrespective of the action or inaction of the various provinces. For one reason or another, therefore, it was universally agreed that the Dominion should look after the soldiers' interest.

The next question requiring an answer was how could these interests best be served? Was the Government justified in giving each and every soldier irrespective of age, ability or occupation a free land grant? Land was probably still the most abundant commodity and to give such a free grant might seem an easy wat out. But would the welfare of the soldier and incidentally of the country be thereby beneficially served? Canada has already has an example of the results to be expected from such a policy. After the South African War, Canada had adopted the policy of issuing script to the returned soldiers to the amount of 320 acres to each soldier. Scrip certificates were issued

to 734 soldiers, and of this number only 657 personally made entry for the land. It was well known that a considerable percentage of that number did not remain upon the land permanently. The script was transferable and it became a matter of speculation; indeed, it largely fell into the hands of speculators. To put it mildly, the policy was not a success in placing soldiers permanently upon the land.(a) Whatever other policy might be adopted, such a policy as the one followed after the South African war would surely want to be avoided.

If the Government was to have any guarantee that land grants to ex-soldiers would result in permanent settlement and agricultural development, the land grant would have to be accompanied with settlement conditions. The soldier would have to be compelled to live upon and cultivate his land so that his interest in the property would result in both public and private benefit. Here began the conflict between the sentimental and the business sides of the soldier settlement question. When Hon. Dr. Roche, then Minister of the Interior, introduced the first bill (Bill No. 116) in the 1917 Session, it was seen that the policy framed by the Government was to give the soldiers a free grant of 160 acres of Dominion land and to accompany the land grant by a $2,500 loan to be used for building and improvement purposes. In the discussion that ensued following the introduction of the Bill, important considerations not previously noted were brought to light. The Minister was

(a) Debates of House of Com., 1917, Vol. 2, page 1160.

asked what difference there was between what he was proposing to offer the soldier and what was offered the ordinary man by the regular homestead regulations. The reply given was that the only difference lay in the money loaned which could be used for equipment purposes. Next came the question of what was to be done for those men who wish to settle on land but not in the Prairie Provinces where the Dominion Government's only land was situated. What, for example, was the Government going to do for a Nova Scotia veteran who wished to settle on a farm in his native province, where no Crown land was available? If such a soldier was compelled to go to Western Canada in order to receive any Government consideration, it was contended that he would be discriminated against unjustly.

Problems such as these soon made it plain that something broader than the legislation then contemplated by the Government would be necessary. So it was that before the first Act, that of 1917, became law, alterations and additions were effected aiming at universal fairness. The Soldier Settlement Act of 1917(a) provided for the creation of a Soldier Settlement Board consisting of three commissioners appointed by the Governor in Council. This Board was to have full charge in carrying out all operations provided for by the legislation. In the matter of granting land the Act stated that every soldier who received an honourable discharge and who was deemed competent to farm was to be entitled to a free grant of Dominion land. But along with this free grant provision there was

(a) 7-8 George V, Ch. 21.

one relating to the advancement of loanss. This was the first venture of the Dominion Government into the loaning field, and it was made because it was felt that unless some inducement were given other than the offer of idle land, that offer would not prove sufficient to obtain many soldiers upon the land. The Government's original plan had been that any money loaned should be spent for the equipment and stocking of the land granted but in no case for the acquisition of land. It was the fact that concessions had to be given to the provinces other than Manitoba, Saskatchewan and Alberta that made it necessary before the Act was passed the extension of the loaning purposes to include land purchase. The Act provided that the Board might loan any settler as much as $2,500 for various purposes, including the acquisition of land, the payment of encumbrances on land used for agricultural purposes, the improvement of agricultural land, the erection of farm buildings, the purchase of stock, machinery and equipment, and any other purpose which the Board might approve. These loaning provisions meant that any veteran who did not wish to settle on Dominion unpatented land could purchase other land to his liking with $2,500 loaned him by the Government. All loans were to be extended under the Board's direct supervision, were to bear 5% interest, and were to be repaid on the amortization plan spread over a period of 25 years. In all cases the security given for the loan was to be a first mortgage on the settler's land.

The Act as passed was assentedto at the end of August 1917, and steps were immediately taken to put it into active operation, as several men physically unfit for service overseas but not so incapacitated as to be unable to farm had already reached Canadian shores. The number of such men, however, was relatively small, and until after hostilities ceased in November, 1918, it was not to be expetted that the Soldiers Settelement Board's operations would be very extensive. But before the homeward rush of the fall and winter of 1918-19 the Board had had sufficient experience to realize that there would not be nearly enough land of the kind desired by settlers to satisfy the demands. If had been found that soldiers who had been forced to mingle in vast throngs and live in the vicinity of the noise and white lights would not for the most part, be content to settle on some backward homestead"far from the madding crowds", and whether they choose to take up pioneer life or not, there was little probability that under the prevailing confitions they could hope to succeed. It was discovered that practically all the good homestead land near to the railways had been alienated and that the soldier, in order to get fertile homestead land, would be compelled to go 15, 20, 30 or even more miles from transportation. Such distances were without doubt too great to hope for successful settlement results. One of two things would have to be done if all the soldiers desiring land were to be supplied. Either the Government must decide to supply further transportation facilities

to the more distant areas or it must find means to procure the already-alienated areas close to the existing railways. The Government, however, felt that the financial burdens which it was forced to bear as a result of foolish overbuilding of railways were already too heavy. There had been no limit to earlier railway expansion and the Government certainly did not wish to follow past precedent in that regard. In addition, the national debt had largely been multiplied to previously unheard of proportions. To further exhaust the Treasury was to heap coals of fire on an overburdened people. To exhaust it to construct railways so that an uncertain number of soldiers of a more uncertain agricultural fitness might be served, would be to speculate on a scale well-nigh suicidal. And even though a sufficient number of soldiers settlers could have been guaranteed, it was always necessary that transportation precede settlement. But the soldiers were rapidly returning and could not await railway construction which in all likelihood would not have been ratified by Parliament. So it was decided to adopt as nearly as possible the alternative policy of purchasing alienated but idle land and reselling it to the settlers.

When this necessity arose for the launching of some scheme whereby already alienated lands lying unused in the various districts of the country in all the provinces could be acquired and made available, another rather fine question appeared. That question was whether or not the Dominion Government should assume the responsibility of administering such duties as the

acquirement of private land and its supervision within provincial boundaries. It was a question fraught with very considerable difficulty. Section 92 of the British North America Act had given the provinces full control over civil rights and the administration of matters connected with civil rights. Such rights and matters could best be handled by powers in close proximity. If this was the case, it would seem the part of wisdom for the Dominion Government to enter into some scheme of cooperation with the provinces whereby on the receipt of Dominion assistance the actual administration duties would be performed provincially. This course the Dominion Government tried to pursue but met with a determined attitude on the part of the provincial Governments against their assumption of any responsibility for returned soldiers. Strangely enough when the provinces found themselves faced with a very disagreeable task they were only too willing to transfer their legal rights to the Dominion Government. They took the ground that, insofar as the soldiers were concerned, the original line of demarkation between provincial and Dominion duties should be altered, and that the entire responsibility should be federally assumed. Particularly was this policy urged by the Western provinces, presumably because of the fact that it was within their boundaries that most of the land would have to be dealt with lay, and also because they had realized already the political dangers involved in interfering with property rights of powerful private interests. Previous to this, the Western Canada Colonization Associa-

tion had urged the Governments of the Prairie Provinces to enact laws compelling private owners of idle land to place it on the market at reasonable prices. The Governments were entirely sympathetic in principle to the cause advocated, but when an attempt was made to put the principle into practice they saw that to interfere with the many large land owners would probably endanger their political careers, and consequently they humbly withdrew from action. So it was rather the fact thatthe provincial governments realized that they were helpless to deal with such a question and not that they wished to concede rights to the Dominion Government, that made them take the attitude they did in regard to procuring land for the soldier settlers. They bolstered up their argument by saying that the Dominion should assume all responsibility where the welfare of the soldiers wa at stake.

Under these conditions, there seemed no course open to the Dominion Government nut to venture upon a very much wider field and to launch upon a great scheme of settlement never before attempted in Canada. Accordingly, on the 11th of Feb. 1919, an Order in Council was passed (a) under the War Measures Act.

The Government felt it necessary to invoke this authority because of the emergency conditions due to the early return of a large number of men from the European battle fronts. The Order gave the Board, acting under the instructions of the Minister of the Interior, authority to acquire privately owned lands and

(a) Debates of the House of Com., Canada, 1919, Vol. IV, page 3849.

to resell them to settlers as defined in the Soldier Settlement Act, 1917. Any area up to 320 acres in any province of the Dominion could be bought and resold, with the provision that the Board should sell the land for the price which had been paid the previous owner. Further, it was provided that no single settler could owe on his land a greater amount than $4,500 and that he must make a cash payment of at least 10% of the cost. It was also provided that the Board could acquire stock and implements and resell them at cost to the settlers. For the purpose of buying this stock and implements the Board could lend the settler as much as $2,000 and also could lend him as much as $1,000 for the purpose of effecting improvements. On March 20 of the same year, a second Order in Council was passed, empowering the Board to make a $2,000 loan for stock and equipment to any settler who had homesteaded under the Act of 1917. From that time on such a settler was entitled to a loan of $2,000 in addition to the $2,500 to which he was entitled under the previous law.

The legislation embodied in these Orders in Council together with certain additional regulations was presented in a bill (bill No. 95) to the Dominion Parliament during the month of June 1919. Lengthy discussion ensued and many complicated questions arose.(a) Among them was the question of who should be entitled to the benefits of the Act; just who was a settler anywhy? The 1917 legislation had providedthat the ad-

(a) Debates, House of Com. Canada, 1919, Vol. IV, pp. 3848-3891.

vantages to be given should extend equally to all ex-soldiers of the British Empire. It had been felt that, first of all, the Canadian soldiers should be looked after, but that when their needs had been attended to the privileges should be extended to the men from other overseas dominions. Such men were equally deserving morally, having fought for the same cause and were of the ype which Canada most desired to add to her population. However, as both Australia and New Zealand had evolved settlement plans of their own (a) and as efforts were being made to revive agriculture in the Old country, it was felt that Canada would not have to deal with or rather could not hope to secure many overseas veterans. A second problemrequiring decision was as to whether a settler who had, prior to the war, begun to fulfil settlement conditions on a homestead but who had not obtained title to the land entered upon, would be able to borrown money from the Board on the security of that land. It was decided that no soldier who did not already hold title to provincial land could so borrow, but, if he owned a farm or secured a free grant of Dominion land, he might receive the Board's advance. A third point arose as to whether a nursing sister was entitled to a land grant. It was urged (by Dr. Pedlow) that there was no difference between giving a settler and his wife, who had previously been a nurse, two grants of land and giving such grants to several brothers in a single family. The analogy here drawn was taken not to hold, however,

(a) Debates House of Com. Canada, 1917, (Vol. II, pages 1159-1160.

it being explained that the husband and wife would settle on a single farm; whereas the sons in a family, by settling on several farms, would form the nucleus of as many settlements. Another consideration dealt with the Board's method of procuring the necessary land for the settlers. Was it to buy large tracts and take a chance on finding enough soldiers who would be willing to repurchase it? Or was it to purchase each farm as the settler signified his desire for that farm? Further, was it to undertake extensive clearing operations or other works necessary for putting land into shape for cultivation? Again, how was it to be certain that land vendors would be willing to sell at reasonable price? If they were unwilling to volunteer their land for sale, should the Board be empowered to use arbitrary means to provure it? These were questions of the utmost importance, probably infinitely more important than the problem of actual settlement of the men. The land was the prime consideration. The Government decided that it would be undertaking too great a risk if it bought up large areas without having sufficient men in sight to take them over. That such a course was doubly hazardous was decided by the fact that the Dominion had large areas of Crown lands on her hands, as well as the fact that other financial exigencies had first call on the Treasury. The method adopted, therefore, was for each settler to select the land he wished to settle upon and upon making such selection, to have him report to the Board' srepresentative in that district. That representative upon receiving the application of the settler, would take steps to examine

the property as well as the price which the owner desired for it. If the land was deemed suitable, and the price asked not above the price which the Board considered the land was worth it would at once take steps to purchase. The way the property would be conveyed to the settler would be for the Government to pay cash to the owner and at the same time to hand over possession to the settler upon the latter depositing 10% or more of the purchase price. Concerning the matter of preparing the land for cultivation, the Government decided that land clearing as carried on, for example, in British Columbia was distinctly a matter for provincial action, and that therefore any provincial land should be conveyed to the Board, the provinces concerned should see that it was fit for immediate cultivation. As to procuring land which the owner refused to sell except at an exorbitmt price, no provision had been made either in the 1917 legislation or by the Order in Council of February 1919. A provision was therefore added and incorporated in the Soldiers Settlemtn Act of 1919,(a) empowering the Board to purchase by compulsory means any land needed for its purposes which it decided was being held out of productive use and which was either not placed on the market at all, or placed only at highly speculative value. Elaborate efforts were made to frame this part of the legislation in such a way as to make it truly effective, the exact wording of the provision being almost a duplication of the British Columbia legislation on the same subject. The great difference between

(a) 9-10, George V, Ch. 71.

the Dominion and the British Columbia legislation is that the former has thus far failed to produce results at all corresponding to those of the Pacific Province.

Having noted the enactments, it is desirable next to examine the results of their application. In a brief summary such as this it is impossible to elaborate regarding the rather extensive system of administration. Suffice it to say that the conferences between the provincial premiers and the Dominion representatives resulted in provision being made for cooperation between the various governments; that branches of the administrative body were established in all or most of the provinces under the title of district offices; that ravious forms of committeed such as advisory committees, loan committeed, land appraisal committees, selecting committees, etc. were appointed or gave voluntary service. Our main comments regarding the scheme must relate to the principles of the legislation together with the results of its working insofar as they enable us to judge of the wisdom or otherwise of those principles.

The general statement of the Board's operations to the end of March 1921, shows the following:(a)

Number of settlers with loans	19,771
Number of settlers on free Dom.lands without loans	5,672
Total number of soldier settlers	25,443
Amount approved in loans	$80,371,750.48
For the following purposes:	
To purchase land	44,405,542.61
To remove encumbrances on land	1,917,582.66
To purchase stock and equipment	25,008,760.07
For permanent improvements	9,039,865.14
	$80,371,750.48

(a) Rep. Soldier Settlement Board, March 31, 1921, page 7.

Of the 19,771 settlers who had received loans,-

3,735	were on free Dom. lands with total loans of	6,369,364.18
1,967	were on privately owned lands " " "	4,742,778.00
14,069	were on purchased land with total loans of	69,259,608.30
19,771		$80,371,750.48

The general average loan per settler was	$ 4,065.00
On Dominion lands the average loan was	1,705.00
On privately owned lands the average loan was	2,411.00
On purchased lands the average loan was	4,922.00

In the vital matter of collections on loans the results were as follows:

Of total payments due November 1, 1920, 50.1% had been received at March 1, 1921. Of the total amount due at November 1, 1920, 84.4% had been received at March 31, 1921. The difference between "amounts" due and "payments" due represents prepayments.

Of total settlers with due payments, 72.7% had paid in full or in part.

The total number who had repaid loans in full at March 31, 1921, was 329, and of this number 194 continued to farm while the other 135 gave up farming.

Of total payments due for the period of October 1, 1920, to August or September, 1921, 54.2% was received.(a)

Of the total payments due for the same period, 100.5% was received (including prepayments).

Of the total number of settlers with payments due, 77% made payments.

Of the total settlers making payments, 59.4% paid in full.

(a) Second Rep. of Soldier Settlement Board, March 31,1923,p.28

Of the total settlers making payments 40.6% paid in part.

Collections for the period from October 1, 1921 to July 31, 1922:(a)

Of total payments due 36.5% was received.
Of total payments due 57.3% was received (including prepaym'ts
Of total settlers with payments due 72.4% made payments.
Of total settlers who made payments 56.7% paid in full.
Of total settlers who made payments 43.3 paid in part.

Collections for the period October 1, 1922 to March 31, 1923:(b)

Of total payments due, 43.2% was paid to March 31, 1923.
Of total payments due, 54.5% was paid (incl. prepayments).
Of total settlers with payments due, 63.2% made payments.
Of the settlers making payments 62.1 paid in full.
Of the settlers making payments, 37.9% paid in part.

The total number of loans repaid from the beginning of the Board's operations to March 31, 1923, was 583. Of this total 312 continued to farm after repaying the loan while 271 repaid their loans by selling their farms.

Of the total number of settlers granted a loan, 14.5% had passed into adjustment. Of these 3,285 cases, 978 had been completely closed out. In the case of 1,587 of the remainder, the stockand equipment had been sold but the land retained on the Board's hands. In 140 cases the stock and equipment had been sold but the documents of sale had not been completed In 79 cases the land had been sold but not the stock and equipment; and in the remainder (501) cases, both land and stock and equipment remained with the Board. On the resale,

(a) Second Rep. Soldier Set. Board, March 31, 1923, p.29.
(b) " " " " " " 31, 1923, p.30

of 1,306 parcels of land the Board had sold at a gross advance of $496,613.46.

Statement of Loans in force at March 31,1923.(a)

Gross loans	$94,733,547.59
Less initial payments	3,762,835.86
Net Loans	90,970,711.73
Int. charged and accrued to Mar. 31,1923.	7,181,659.89
Total loans including interest	98,152,371.62
Less repayments	9,779,925.19
Balance outsatdning on account of loans	$88,372,446.43

From the inception of the Board's operations to the end of the fiscal year 1923 (March 31st) the number of soldier settlers who had taken up farms under the Act was 28,984.(b) These are divided into two classes: (1) Those who had received financial assistance in the way of loans to enable them to purchase land, livestock and machinery, and to erect buildings, 22,626; (2) Those who have taken up free Dominion land and are eligible for loans for the purpose of buying stock and equipment, 6,358. A total of $94,733,547.59 had been disbursed by the Board in loans in the following manner:

(c)

For land purchase	$56,354,485.02
For removal of encumbrances	2,209,636.69
For permanent improvements	9,198,841.67
For stock and equipment	25,084,599.95
For seed, feed, insurance, etc.	642,979.83
For replacements	455,952.54
For special advances,	406,181.43
For Indian Soldier settlement	380,870.46
	$94,733,547.59.

(a) Second Rep. Soldier Set. Board, March 31, 1923, p.35.
(b) " " " " " " 31, 1923, p. 7.
(c) From a special summary given to the Writer by the Board at Ottawa in December last.

In the matter of payments on loans Ontario made the best showing with payments amounting to 91.3% of the amount due, but this included some repayments. The District of Regina was second with 77.6%, while the District of St. John enbracing the three Maritime Provinces reported payments of 68.8%. The District of Calgary (Southern Alberta) was lowest with 37.5% and Northern Alberta next with 39%.

The following is a general summary of the Board's operations to July 31, 1923:-

Number of veterans who applied for privilege of Act	66,926
Number accepted as qualified to farm	47,362
Number of settlers (with loans)	23,119
Number of settlers without loans	6,335
Number qualified but not yet located	24,243
Number in training under supervision of Board	250
Number completed training	3,956

LOANS

Number of loans approved	23,119
Amount of loans disbursed	$96,447,988.34

BY PROVINCES

	Number	Amount
British Columbia,	3,285	$14,277,026.22
Alberta	6,745	27,419,211.99
Saskatchewan	5,781	23,980,013.89
Manitoba	3,555	16,020,787.66
Ontario	1,831	7,970,483.61
Quebec	464	2,263,819.58
Maritime Provinces	1,459	4,516,645.39
		$96,447,988.34

Initial payment on land purchased		5,663,360.00
Number who have repaid loans in full		623
Total amount returned to the Receiver General:		
For loans	$ 15,935,599.12	
For administration	2,187,847.60	18,123,446.72

COLLECTIONS

Of the amount due on loans to soldier settlers last fall $1,837,183.10 has been paid - a percentage of 62.8.

Area of soldier lands

Area of new land broken	Acres	600,000
Area of land taken up by soldier settlers,		5,487,984
Saving in purchase of land,		$4,244,746.47

Settlers in adjustment

Percentage of settlers with loans who by reason of death, illness, lack of sincerity, inexperience or other causes have discontinued their farming operations and whose lands have reverted to the Board, ---- 16.

From all the figures given above, it may be inferred:

(1) That eight out of every nine farms were purchased before the general Depression of 1921.

(2) That considerably more than 50% (almost 60%) of the total money loaned by the Board has been used to purchase the land settled upon.

(3) That considerably less than 50% of these returned men who applied for the privilege of the Act were accepted by the Board as qualified to farm.

(4) That approximately 75% of the total amount of money loaned has been loaned to settlers on purchased farms.

(5) That the general average loan per settler has been more than $4000 on an average area of 175 acres.

(6) 1. That from the first many settlers have been either unable or unwilling to meet payments, while some others have paid more than the amount due. These latter constitute the most thrifty and industrious settlers, those who realize the great advantage of being free of debt as soon as possible. In many cases, also, they are the best equipped in the matter of personal finances and farming experience.

2. That the percentage of payments met has been smaller at each succeeding payment date.

(7) That of the total acreage upon which soldiers have settled the amount purchased by the Government and resold was practically equal to the amount of Crown land given as free grants.

(8) That, of the total acreage settled, by far the greater part is located in Alberta and Saskatchewan, those wheat-growing provinces which are at present in the greatest financial difficulty.

(9) That so far the financial as well as settlement results are anything but encouraging.

Leaving aside the facts as told by the figures in the reports of the Board's operations, let us consider certain facts which may have been for or against the success both of the scheme itself and of the settlers under it. As already noted, the amount of suitable land available was not nearly sufficient to satisfy the demand, and, consequently, the Government had to resort to purchasing alienated land. In connection with such purchases three facts stood out. First, the

period when the land had to be purchased was one when the demand was keen, since farm produce prices were still at the abnormal was levels. This keen demand meant that a higher price had to be paid than would have been the case in normal times. The Board's report covering the period to March 31, 1923, leads one to suppose that the prices which the Board had to pay for land during 1922 and early 1923 was as high as, and indeed slightly higher than the price which it paid for its earlier purchases. If the Board did pay higher prices per acre in 1922 than in 1921, it got a much better quality of land. Certainly, if reports up to April 1924 were available, they would show that the prices paid by the Board for land in recent months have been very much less than formerly, particularly in the older provinces. At least of the Board's cost prices were not lower, it could be claimed that general land values were different from those paid by the Board; in other words, that the vendors of land were charging and receiving from the Board more than other purchasers would give them. A second fact in connection with the purchase of the Board's lands: when most of the farms were purchased by the Board, i.e. in 1919 and 1920, the supply of experienced or professional valuators were extremely limited. It was necessary for the Board, by selection and elimination to build up a trained staff of appraisers before the maximum of efficiency could be reached. But while the training and eliminating was going on, land purchasing was also going

on, and it cannot be doubted that the maximum of efficiency in this as in other features of the Board's work was not reached until after the larger land purchases had been made. A third point in connection with the purchase of the land which merits our notice is the attitude taken by the land vendors. Land values were, of course, intended and rightly intended to be based on productivity and not on speculation. That was all right as an ideal but could it be made actual. One would have expected that as the lands were wanted for the soldiers as distinct from other settlers, the vendors would have considered it a patriotic duty to dispose of their idle lands to the Government at a price at least reasonable. Such expectations, however, were not likely to be realized in many cases. In some way or other the feeling existed in the minds of not a few that the Government was paying the shot. That it was only good business to get every cent possible for the land upon which the soldier settler was to launch on an enterprise which could guarantee nothing but failure if over-capitalized. Quite frequently men endeavored to list parcels of land at prices which persons in the neighbourhood knew for a certainty could have been purchased privately at much less, and that even the latter private price was more than experienced farmers would pay. The feeling, no doubt, was entertained that the Government was doing the paying so why not appropriate a very modest portion of the public funds? Many people either quickly forgot or did not realize that

the Government was only the mortgagee, and that eventually if the scheme was to pay, the soldier and not the Government must pay for his farm, stock and equipment. True, the Government did pay the owner cash when the purchase was made, but this was only because it was hoped that by doing so the soldier could secure his land at more reasonable prices. The fact that the Government paid all cash to vendors was certainly the only factor tending to lower the prices for land purchases the all-cash payment being a very attractive feature to the average vendor who as a rule would take less than the price at which he had offered to sell at first rather than lose a sale. But if anyone was entitled to purchase land or farms at rock-bottom prices, it surely was the soldier-settler, and he deserved every assistance that his neighbour farmers were and are in a position to render. It is unfortunate that such neighbours, who were sometimes land vendors as well, did not give that assistance. Not only were the actual land vendors lacking in altruistic motives, but at the start cases came to the Board's attention showing that where a prospective settler became interested in a farm, it was forthwith purchased by a middleman who in turn resold to the settler at an increased cost. While such cases were probably the exception, yet it is significant that there were not more wanting those who were only too willing to exploit both the returned soldier and the Board by the sale of land at artificially increased cost, or by the sale of worthless land. And even an

occasional inspector was found who failed to protect the settler and the Board in that respect. The poorer qualities to which human beings are sometimes prone were here only too apparent. So long as human imperfections exist there will probably be some people who consider it oppertune to "do" the Government and use the people's money so long as they can "get away with it".

Another factor militating against the success of the scheme was the quality of large numbers of the settlers. Many of the soldier settlers were totally inexperienced in farm work. This can be accounted for in several ways. To begin with the Government had shown no outward material evidence of its appreciation of the men who served in the cause of freedom. It had been hinted at times and urged at others that something should be done by way of recognizing every soldier, that severa optional courses should be left open to them, and each man suited according to his needs and desires. That this was a suggestion calculated to suit every man to his past cannot be doubted, but the obstacles in the way of its adoption were greater than the Government could overcome. For one reason the cost of administering several Boards which would be required for such a universal scheme would be a tremendous strain on the already-depleted Treasury. Together with this was the desire of the Governmentmthat the Country's agriculture as distinct from all other industries should be rapidly developed, and it could only be developed by getting more people into the agri-

cultural ranks. A second suggestion offered as an alternative to placing the soldiers on the land, was the granting of a lump sum of cash to each and letting all go their several ways It was argued that this would be the simplest and fairest solution. Every man would be treated alike and the manner he which he saw fit to dispose of the money would be his own look-out and not that of the Government.

Saskatchewan, at one time, had suggested a grant of $2000 to each man.(a) The same obstacles stood in the way of such a policy, namely, the empty treasury and the lack of a guarantee that the spending of the money would result in any permanent benefit to either the soldier or the country. In any case the fact remained that no other form of gratuity (except the granting of pensions to dependents and disabled men) was considered by the Canadian Government than that involving settlement upon the land. Because it was the only form, many who would have choosen other paths of endeavor decided to take up farming rather than receive nothing. Men of this type were doomed to failure from the start. Lack of a real interest in the calling as well as inexperience spelled defeat for them. Equally subject to failure, and for a similar reason, namely, inexperience, were those soldiers who had gone overseas out of city offices and, having got a taste of outdoor life, decided that there was no life like "back to Nature". The facilities now provided by the Board for selection and agricultural instruction were not developed to any high degree of efficiency at the

(a) Debates of the House of Commons, Can. 1919, Vol. IV, p. 3848-91.

time when the greatest flow of settlers towards the land took place. Many who, under the present stricter regulations could and would have been compelled to undergo a period of practical instruction in farming were in the early days of the Board's existence allowed to pass through the net. To anyone at all familiar with the versatility required by the would-be successful farmer of the present day, it must appear hopeless for any but a very small proportion of city men with no rural experience to succeed at farming even under ordinary conditions. But there is much less chance for the soldier settler who has a large overhead debt and who receives but low prices for the farm produce which he has for sale.

A third factor responsible for the failure of many settlers is one correlated somewhat with the one just mentioned. Inexperience made its appearance in another direction. It was not that the settler himself was inexperienced but that his wife knew little or nothing about the farm. Many a Canadian soldier had married during the period of enlistment. Since they were brought constantly into social contact with members of the opposite sex in large urban centres, it was but natural that many of the latter would become their wifes. But though such young women could knit socks, stand behind a counter, appreciate the full splendour of a cosy sedan or hammock, quote movie actors by the dozen, and feel as much at home in an Opera as at the dinner table, there was no positive guarantee that they would be naturally qualified to rise at 5 a.m. daily,

milk, a cow, pluck a chicken, manage a house economically, or encourage their husbands. Many of the wives of soldiers settlers had never before seen a farm. They may have formed some romantic pictures of "that glorious pioneer life" as a result of reading far-fetches novels, or viewing equally exaggerated picture films, but if so, the grave realities of farm life must have created a bitter disappointment. Apparently such disappointment has been experienced, whatever the reason for while we have no definite knowledge of the exact number of settlers who gave up farming due to the dissatisfaction or loneliness of their wives, we do know that nearly one-half of those who have paid off their loans in full by selling their farms have done so in order to take up life in the urban centres; also that a considerable number of the 16% whose properties have been or are being adjusted have met with failure due to this cause.

A fourth factor hardly likely to prevent any possible mal-success of the scheme was the practice of the Government in allowing the Board to make loans to settlers at 5% interest when at the same time the money loaned was actually costing the Government 5 1/2%.(a) When the 1919 Bill was discussed in the Commons its introducer and chief sponsor, Hon. Arthur Meighen, expressed the view that it was impossible that the Government would have to pay as much as 5% for its money any longer. Experience has since belied the wisdom of that

(a) See Mr. Meighen's address on Bill 95 in the House of Commons Debates, 1919, Vol. IV, pp. 3848-2891.

prophecy, and it would seem that in lending to the settlers at 5%, the Government was sacrificing right at the start. As money rates have not fallen the Government has not been able to recoup itself for its losses. A factor somewhat akin to that just mentioned, in that it relates to financing the settler, is that the land purchased by the Government has been resold to the settler at the same price as that which the Government paid, in fact, it is resold at a lower price, for the Government pays cash for the land and then sells to the settler at a discount from this cash price. This discount results from the fact that the interest rate charged the settler is actually less than the rate paid by the Government for the money used to pay cash for the land. We are convinced that such a policy is not good from a business standpoint, whatever may be said in its favour because of its special suitability to the returned soldier. The interest rate charged the settler should be at least as high as that paid by the Government itself. And if the Government had provided that the Board would add a certain amount, say one or two per cent to the price which it had to pay for the land before reselling it to the settler, the margin so allowed would have provided or would tend to provide a reserve fund which could be used to meet unavoidable and certain losses.

A fifth and, to our mind, an extremely important factor making for slow success is that of allowing each settler to assume such an overwhelming debt. That ny experienced farmer

could under ordinary conditions free himself even in twenty-five years, from a $7,500 debt is hardly to be expected. That the same farmer could under the conditions prevailing today pay interest on such an amount, to say nothing of making any principal payment is not within the boundary of reason. Consequently, to place a man for the most part inexperienced in agriculture, on a farm entirely strange to him and in many cases nothing but raw land and expect him to exist, apart entirely from having to make substantial payments on the land, during times like those at present prevailing, is to display complete ignorance of agriculture. Of course, the Government or Soldier Settlement Board was in no way responsible for the low prices of Farm products which have continued for the past three seasons. Neither is it to blame for the succession of poor crops in the prairie provinces, although it may have some responsibility for the lack of railway facilities in the Peace River District. But assuming that no depression had come and that ordinary crops and ordinary prices had prevailed, we do not see how the Goverrment could expect a man to shoulder successfully such a huge burden of debt. We are not assuming that every man did borrow to the limit. In fact, the Board's report states that the average loan is but something over $4000. But while this is the average of all loans, it does not represent the largest loans. Indeed, the report states that the average, not the largest, loan per settler on purchased land is almost $5000. Such an amount

with interest is, we repeat, far too much to expect to repay out of the proceeds of the average farm. The few men who would succeed in any case will by frugality, sobriety, industry and determination overcome such a financial handicap, but the ordinary man will decide that the plum is not worth the effort and will give up the struggle long 'ere the 25 year repayment period has elapsed. Had the soldier settlers been forced to provide 50% and not 10% of the cost price of the land, not to mention the equipment - we are interested only in land purchase - there would have been a fair possibility of wide-spread ultimate success. But when the Government took so lenient a course as to limit the amount which he (the settler) must pay down on his land to 10%, it gave him too little personal interest in the venture, and encouraged him "to get up and walk off" on the slightest pretence because he had an unsurmountable debt burden.

A sixth possible obstacle, and probably not a minor one, to the complete success of any such scheme in Canada, is one of the inherent moral and psychological qualities of the Canadian people. Al all nationalities the Anglo-Saxon is the least amenable to dictation and supervision and this is especially true in the case of those who work chiefly as individuals rather than groups. He wants to be free to do as he likes. To such a man the close supervision of all his farming operations and expenditures must appear a serious interference with his private rights. Two counter forces, however, should have tended

to minimize this factor. First the fact that the settler in this case was an ex-soldier, a man fresh from an occupation in which above all else, he was accustomed to obey, and to receive all his directions from others. Second, there was the sentimental attachment effected by the selection chiefly of military men to fill administrative positions in the Board's work. It was more likely that soldier settlers would submit to dictation and advice if given by a distinguished "Comrad-in-arms" than if given by an official "stay-at-home". But although this sentimental or psychological attachment may have been in some cases responsible for good results, yet the inherent love of individual freedom and desire after leaving the army to get free for all time from anything savoring despotism, has, we think, been an influence of much greater significance against the Board's operations.

There were also less important but nevertheless contributory factors against the best possible results of the scheme. For one thing, most of the settlers were averse to going into backward districts where land was cheap. While there can be little doubt that farming a long distance from market is seldom a very profitable undertaking, yet it is an indisputable historic fact that many of the leading and most successful farmers in Canada to-day made their start in out-of-the-way places and under obstacles that would be deemed unsurmountable by 95% of the present generation. People nowadays look upon sacrifice and self-denial as things of the past and shun hard work and abstinence as they would a loathsome disease. Insofar

as this reluctance to encounter pioneer life conditions has been manifested by the soldier settlers, so far has the expense of the Government Settlement undertaking been enhanced. Hardsip on the part of the soldier has been exchange for purchase money supplied by the Government Treasury. Another fact no doubt pantly responsible for any leniency shown towards the soldiers in the legislation is one which we hesitate to suggest, as we realize that to do so would be to tread on dangerous ground. But as the accusation was openly made at the time, there can be little harm in repeating it here for whatever it is worth. That accusation is that politics played a considerable part in the method of selection of the settler and in the entent of the privileges granted him. No one will deny that the Government in office at the time of the passing of the legislation and its most important period of settlement was being subjected to severe criticism. As the results of the 1921 election showed, it had been struggling for its very existence. If it could so cater to the soldiers' whims as to be assure of their support and that of their wives, a valuable political asset would thus be secured. It is dangerous to even speculate as to the extent to which the Government did offer inducements in the way of treatment to the returned men, but it would be assuming that the Government was not acting upon humane motives to suggest that nothing whatever in the way of special inducements were offered. Still, another fact detrimental to the best results was the vast extent over which the operations of the Soldiers Settlement Board have been carried

on. There has been wide scattering of settlers and consequent administration over all parts of the Dominion. If the Government could have purchased all the land needed in, let us say, Alberta and Saskatchewan, and placed all the settlers there, supervision would have been cheaper and easier, and the land could have been more economically purchased as well as greater use made of Dominion Crown land. But the fact that people in all of the nine provinces would have to contribute towards the scheme made all the provinces want to derive some benefit in the way of land settlement. Moreoevr, the settlers themselves, as already stated, wished to settle in different places and provinces. A final reason may be stated to be fundamental nature of the scheme itself. Despite the fact that, throughout the discussion of the Bill both in Parliament and in the press, the scheme was continually described as a land settlement and development plan and not a gift to the soldiers there can be no disputing the fact that it did eventually partake of the nature of a donation. Sentiment was bound to play a large part both in the legislation and in the later individual dealings of the Board with the settlers. This was true despite the assertion that, of necessity, the scheme could not be entirely a bounty-giving contest else soldiers who did not choose to farm would have been given good grounds for jealousy and for feeling that the Government had discriminated against them. Itwas impossible for settlement to be rules out of the scheme. Indeed it would have been dangerous at that time or

even to-day to suggest that the soldiers should not receive special consideration. But if special consideration was necessary as an evidence of the country's gratitude, it cannot be said that it was consistent with the best business principles.

Turning from a consideration of the influence that might be called derogatory to the success of the scheme, let us see if there were not certain counter-balancing factors. Outstanding in this reppect was the calibre of the settlers themselves In no ordinary land settlement effort could Canada ever hope to find a personnel with such proven physical endurance and courage. Her soldiers were her picked men, the men who had been the first to "answer the call" and to place self second. They were the men who had gone with dauntless courage into the most critical places in the Great War and had returned victorious. Was it not to be expected that such men would stand up under the rigorous cold of prairie farms, would count all hardships of farming as nothing worth mentioning? If they had made good in the War, could they not prove much more successful in peace? Surely that factor should have and has playe a very important part in any measure of success achieved in the land settlement program.

In the matter of administrative personnel another valuable aid has no doubt been secured. The fact that the officiers of the various Boards, as well as the office staffs have been composed almost exclusively of ex-soldiers has surely tended

to lessen greatly many friction between the Board and the settlers. In the same connection it might be remarked that many private citizens gave help gratuitously. Such help would certainly not have been forthcoming if the settlement had related to any but ex-soldiers. Under the circumstances it was considered a patriotic duty.

Again not only were there among the settlers men of the best physical and moral fibre that the country could hope to possess, but many of them were men who had had plenty of farming experience prior to the war. And that experience had been gained in Canada, not in Russia, Sweden or England. The men were all used to this country and many of them familiar with the Canadian methods of farming. If such native born and educated men could not succeed, there seems little prospect that emigrants from other British Dominions or those from Europe who were entirely unacquainted with the Canadian language, customs, laws and farming methods could hope to succeed. So that if the scheme has not been or cannot prove successful in the settling of our Canadian soldiers, it would seem foolhardy to apply the same legislation and principles to those whom we may in future receive as emigrants.

Considering once more the personnel of the soldier settlers one may say that the changed environment offered by land settlement must have tended in the direction of the settlement scheme's success. All of the men were glad to get away from the "hell on earth" and a certain number of them at least were

almost eqully glad to be freed from the excitement of city life and to get back to a quiet country life again. At the same time the psychological effect had another angle. It was only natural that men who had been in continuous social contact for four long years should feel the loneliness of farm life pall and at times feel tempted to yield to that "tug tug back to the crowd". That many did so yield cannot be doubted. For those men who thought that the outdoor life would be preferable to returning to the dust, grind and monotony of a city office, who wanted to follow something other than sedentary employment, we hold much sympathy and no envy. We appreciate their lofty desire but are compelled to think that many of them were allowed to venture "on their own" long before they were qualified, and that through lack of sufficient training, most of them were doomed to disappointment even under far more favorable conditions of farming that those which have obtained during the last four years.

Concerning the settler himself as distinct from the scheme as a whole, we might say that he was given privileges under the scheme which would have been unobtainable otherwise. Chief among these may be mentioned the low interest rate of 5% and the long term of repayment; also in some cases, the very considerable saving which the Board was able to effect for him in the purchase price of his land, not to mention the saving in the purchase of stock and equipment with which in this study we are not dorectly concerned. Many of the settlerswho purchas

from the Government had doubtless, as good an idea of what that land was worth as had the Board's appraisers and could have made equally good bargains. Many others, however, who had no previous knowledge of farming or land values would have been "easy" enough to have agreed to pay whatever the graft-seeking owner might ask. Such men were certainly helped by Government intervention. In another way too, the Government was able to lessen the land cost. Where large blocks were offered at lower prices than the several segments of such blocks could have been purchased for individuals, the Board by buying the whole block and also by paying cash, secured it at lower cost than the settlers acting individually and independently.

A final argument in favor of the Soldier Settlement plan is the very fact that it is still young. Not only is the scheme still in its infancy, but that period of infancy has been characterized first, by the difficulties of organization, examination and experimentation; second, by the even more serious difficulty of a prolonged period of averse agricultural conditions over which neither the Board nor anyone else had any control. We can only hope that the lessons of the past few years will make for more effective administration in the future and that the present condition of agriculture and industry the world over may not continue much longer.

Following the economic depression in agriculture, the soldier settlers found themselves in financial difficulties since they were in debt almost to the full extent of their property and were being called upon to meet interest and principal pay-

ments. A demand was voiced on the part of the alliance of the returned soldier bodies for an investigation, with the result that a special committee of the House of Commons was appointed on March 30, 1922, to hear evidence on conditions and report to the Government.(a) After nearly three months of investigating during which time it heard many complaints and received many suggestions, the committee reported to Parliament on June 17. In the Evidence the main points were that the land settled upon by the settlers had been purchased at peak prices and that a depreciation in land values had since occurred; that the agricultural depression and the deflation in prices bore specially heavy on the returned soldier since he was required to meet heavy payments each year which the already-established farmers did not have to meet; and that the average price paid by the Board for settlers' live stock, although reasonable at the time of purchase, was greatly in excess of what othet similar stock would be purchased for in 1922.

Among various suggestions for relief measures, the following were laid before the Committee as being sufficient to meet the needs of the case.(b)

1. A revaluation of the land.
2. A revaluation of the stock and equipment.
3. Exemption from interest for a period of years.
4. A reduction in the rate of interest.
5. An extension of time for the reduction of stock and equipment loans.

The Committee did not accept nor act upon all of these suggestions, but it did upon some of them. Based upon the recom-

(a) Rep. Soldier S. Board, 1923, p. 16.
(b) See next page. (367)

mendations made by the Committee to Parliament, certain amendments to the Soldier Settlement Act of 1919 were enacted in the 1922 Session.(c) These amendments made provision for the consolidation of the indebtedness of each soldier who had not then abandoned the land or terminated his agreement. The indebtedness so consolidated was to be made payable in twenty-five or fewer annual instalments, the first of which would be paid on the date of the consolidation. Such indebtedness, moreover, would bear no interest charge from the date of consolidation for:

1. two years in the case of any settlers to whom advances commenced within the 12 months next preceeding October 1, 1921.
2. Three years in the case of any settler to whom advances commenced within the twelve months next preceeding October 1, 1920.
3. Four years in the case of any settler to whom advances commenced prior to October 1, 1919.

It was further specially provided that any settler upon unimproved lands might not have to make the first of his 25 payments until two years after the land had been sold to him. No provision was made for the revaluation of the land nor was any revaluation seriously considered by the Special Committee. It was considered that the difficulties in the way of land revaluation were almost unsurmountable. It would be very difficult to arrive at a just basis of value, and would be equally hard to measure the extent of the deflation in land values in the three year period from 1919 to 1922. Moreover, to revalue the land of those settlers unable to meet payments would give

(b) Rep. Soldier S. Board, 1923, p. 17.
(c) 12-13, George V, Chap. 46.

them a preference over those who had made payments already and especially those who had made prepayments. The question of revaluation of the land has not ceased to receive repeated emphasis by the many settlers and other interested in Agriculture in the still more trying period since the 1922 amendments to the Act were made. The United Farmers of Alberta in convention at Edmonton in January 1924 passed a resolution(a) calling for reductions on outstanding Soldier Settlement Board loans as follows: 25% on land, 65% on stock, 10% on equipment. An amendment recommending 50% redution on land loans was defeated upon the request of the soldier settlers present. Again it was stated that(b) the revaluation of land held by soldier settlers under t the soldier Settlement Board had become a live topic among the members of the House of Commons at Ottawa, and that it was almost certain that the progressive group would ask the Government to appoint a special Commission of the House to investigate the present situation. Various speakers during the present session have urged that until the land held by soldiers has been placed upon a proper valuation basis there is little hope of their success. The same report stated that while the Government had not answered the remarks of Opposition speakers regarding this question, yet it seemed fairly certain that the official attitude would be against any revaluation. The difficulty arising seems to be that the soldier settlement problem is locali-

(a) Toronto Globe, Jan. 25, 1924. Agricultural page.
(b) Toronto Globe, March 12, 1924, page 5.

zed. Except for isolated cases, it seems to be confined to the settlers in Manitoba and in that province to be centred almost wholly in the district between Lake Winnipeg and Manitoba. In all the pther provinces the soldier settlers seem to have met with very fair success (as success in agriculture is today estimated), and the argument is used continually that the interests of one section cannot be permitted to dictate a policy for the whole.

Still more recently the Dominion Government has displayed a more conciliatory attitude than that forecasted above. On March 24 of this year a resolution was introduced in the House suggesting radical reduction by writing down of the capital indebtedness of the soldier settlers.(a) The advocate of this policy was J. J. Ward, the progressive member for Dauphin, Man. in the very heart of the present soldier settlement troubles. His argument for revaluation was based upon the"abnormal deflation in the value of all farm products which has taken place since 1920", which, he said, had affected particularly veterans who had gone on the land under the auspices of the Soldier Settlement Board.

Mr. Ward quoted figures to bolster up his argument, which if correct(b) are indeed astounding and reveal a serious situation. Since the Armistice, he said, Canada's soldier population per province had decreased as follows: British Columbia 17%; Alberta, 19%; Saskatchewan, 14%; Manitoba, 25%; Ontario, 16%;

(a) Toronto Globe, March 25, 1924, page 5.
(b) See Hansard, March 24, 1924, pp. 645-646.

Quebec, 24%; New Bruswick, 23%, Nova Scotia, 15% and Prince Edward Island, 16%. These figures would result in a much higher average decrease than that stated in the last official report of the Board, but it must be remembered that that report covered the operations up to March 31, 1923 only and that in the full year that has since elapsed, agricultural conditions hhve been infinitely more serious due to the continued low farm prices. The resolution introduced by Mr. Ward suggested full inquiry by a Parliamentary Committee and this suggestion was favorably received by the Minister of Re-establishment, Hon. Dr. Beland. The latter, in commenting on the resolution and the present difficulties of the settlers, said that it was an almost miraculous fact that so small a proportion of Canada's soldier farmers had abandoned their farms. The Act, he stated, had operated with striking success, in view of the havoc wrought in the world by post-wat happenings, economic and other wise. On his suggestion the House agreed to defer action in the matter of relief until it had received the report of a Royd Commission at present investigating Soldier problems. It is altogether probable, that, when action is taken, the terms of the agreement made will have to be adjusted to meet the situation. If itnis worth keeping the soldier settlers on the land, the Government will have to take some such course as that taken by the Canadian Pacific Railway Company a year ago when it considered it advisable to tear up millions of dollars worth of land contracts and rewrite them on more lenient terms.

In summing up our own estimate of the Soldier Settlement Scheme, we can say that while settlement of the character and magnitude inaugurated under the Soldier Settlement Act is in many respects unique, yet there is still room for amending and even rectifying the fundamental principles involved and the details of administration. We do not wish to appear unduly pessimistic, but at the same time it would be unwise to blind ourselves to the facts as they exist. It is the people's money that has been spent in the enterprise and public opinion must be the final arbiter in deciding whether the scheme has had more elements of strength than of weakness. It would be foolish to suppose that any land settlement shheme that might have been or may yet be devised, would give perfect results. That would be utopism in viewpoint. But any scheme which is to be successful must prove the fact by showing a financial balance on the right side of the profit and loss account. Whether the scheme now in operation will finally prove to have been a good business venture is now a matter of conjecture only. Not until its operations have been completed will any person be able to judge. But unless some means of checking the present wholesale abandonment of land by the settlers is soon found, the probabilities of ultimate success are, to say the least, not bright. We feel, however, that very few of the difficulties encountered thus far have been due to the settlers themselves. The weakness of the system and the desperate agricultural conditions are the fundamental causes. Probably not more

than two or three cases out of 2000 to 3000 settlers in each district represent slackers who say "the Government placed us here; let the Government see us through". These unfortunate individuals are men who "got by" the Board before qualifications were made more strict, or who had political pull through some foolish local member owing to political debt which he paid at the expense of the Board.

In estimating the value of the principles employed under the Act, the same criticism which we offered in the case of Government loaning in Saskatchewan, Manitoba and Ontario apply namely, that grave political dangers exist which require extremely careful oversight if they are not going to wreck the possible economic advantages. Further, we must maintain that the Government in allowing the settler to carry 90% or even more of the value of his property in the form of an overhead debt was inviting difficulty, and we express our conviction that in any future loaninf or landselling policy, the amount to be paid in cash by the farmer buyer, be nearer 50% than 10%. Again, in the matter of interest, we would suggest that the rate charged is not nearly so important as the question whether the borrower is using the amount borrowed in such a way as will assure the repayment of the principal at the time it is due. Moreover, the Government should never lend money at lower rates that it has to pay for the money borrowed in order to make the loans. Under the present cimcumstances, we would certainly hesitate to extend the so-called privileges

Act

of the Soldier Settlement ~~Board~~ to either veterans from other British Dominions or to other farmer immigrants. The fact remains, however, that the administrative staff ~~until~~ all agreements between the Board and the settlers already settled have been either completed or cancelled. If the big part of the Board's work is completed already, the problem of how it is to be employed during the next twenty-five years is a very important one. But simple because we already have the machinery, which machinery must be kept in operation during the operation of contracts already existent, is not sufficient reason for extending that that machinery should be extended to carry out the same work in connection with all prospective farm settlers who may enter the country.

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ADDITIONAL REFERENCES.

1. Articles in "Financial Post" in issues of January 17, 1920, and May 29, 1920.
2. An editorial in "Mail & Empire, February 8, 1923.
3. An editorial in Mail & Empire, March 29, 1921.
4. A long article by Agnes Tant in "Financial Post", Jan. 21, 1921.
5. Monetary Times, Nov. 3, 1923.
6. Articles in Farmers' Advocate, 1919.
7. Article by C. W. Cavers, Soldier Settlement Board, Ottawa, in "Farm & Dairy", August 19, 1920, page 920, and entitled "Soldier Settlement in Saskatchewan".

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CHAPTER XVI

CORPORATE LOANING INSTITUTIONS AS FARM LAND PURCHASING AIDS.

In the present study attention has been drawn to the part played by land vendors and the Governments in assisting farm land purchasers. There are, however, other means whereby farmers have been and may be aided in these purchases. Aside from the Government, application for loans may be made to financial institutions which are either created for the special purpose of lending on mortgage security or which pursue such business as an important sideline. So far as Canada is concerned, the institutions of this nature so far evolved comprise loan or mortgage companies, trust companies, and insurance companies. Many of these have been important factors in the mortgage field for a long time.

All three kinds carry on operations under charters granted by either the Dominion Government or any Provincial Government. The Dominion and Provincial legislation under which the institutions may be created differ only in minor details, the main outlines and principles involved being the same. In order to illustrate these principles we may note the main provisions of the Dominion Loan and Trust Companies Acts of 1914 under which all Dominion companies now operate. According to the

Dominion Loan Companies Act,(a) any loan company may lend money on the security of, or purchase or invest in (1) mortgages or hypothecs upon freehold or leasehold real estate, or other immovables; (2) the debentures, bonds, fully paid up stocks and other securities of any municipal corporation or school corporation, or of any chartered bank in Canada, or of any company incorporated under the laws of Canada, or of any province of Canada, or of any former province now part of Canada: provided than not more than 25% of the company's assets may be loaned on the security or purchase of or investment in the debentures, bonds, fully paid up stocks and other securities of such chartered banks and companies. The amount of the company's investment in or upon the security of the stock of a chartered bank or the debentures, bonds, stock and other securities of a company incorporated under Dominion laws shall not exceed 10% of the paid-up capital of such bank or 10% of the debentures, bonds, stock or other securities issued by such company. No mention whatever is made of the percentage which a loan company may invest in municipal, provincial or Dominion securities, as it is assumed that such securities involve little or no risk. The money to be loaned may be provided in several ways. To begin with, the Act states that no loan company may begin business until the amount of its subscribed capital stock is $250,000 which stock must be composed of personal estate readily transferable. Second, the company may act

(a) Dominion Statutes, 1914, ch. 40.

as an agency association on behalf of those who may have money to invest, but only on the condition that the repayment of principal and interest on any money so entrusted to it for investment is guaranteed. Third, the company is authorized to borrow money and issue its bonds, debentures or other securities for money borrowed. Fourth, the company may receive money on deposit upon whatever terms, as to interest, security, time of repayment and otherwise as may be agreed upon, so long as the total amount held on deposit does not exceed the aggregate amount of the company's actual paid-up and unimpaired capital stock together with its cash on hand or deposited in any chartered bank in Canada. In the matter of borrowing, the Act limits the aggregate amount which a company can borrow to four times the combined amounts of its paid-up and unimpaired capital stock and reserve, and further states that any cash on hand or deposited in any Canadian Chartered bank must be deducted from such aggregate in estimating the capital stock. No mention is made regarding a maximum interest rate which such a company may charge borrowers.

Regarding Trust Companies, the Dominion Legislation(a) allows much the same privileges regarding lending and borrowing. But whereas lending is the chief business of the loan company, it is only one, though an important, part of the trust company's business. Trust money may be invested in first mortgages upon

(a) Dominion statutes, 1914, Chap. 55.

improved freehold property in Canada; in the stock, funds or Government securities of Canada or of any province of Canada, or guaranteed thereby, or bonds or debentures of any municipal corporation in any province or the bonds or debentures of any school district in such province, or in the public stock, funds or Government securities of the United Kingdom, or of any of the colonies or dependencies thereof; and, finally, in any securities that may be authorized by the terms of the trust. In the matter of lending, therefore, the power of trust companies even exceeds that of loan companies. As to borrowing a trust company may borrow upon its own credit by mortgaging or pledging its real or personal property or both. The limitation placed upon the amount which it may borrow is more lenient than in the case of loan companies, the aggregate to be borrowed and entrusted for investment and the repayment of which is to be guaranteed being not more than five times the amount of the company's paid-up capital and reserve. One very important difference between loan and trust companies, however results from the fact that trust companies are not allowed to issue bonds or debentures in order to borrow money.

After noting that institutions of this type described above may borrow money and loan on real estate by taking a first mortgage, we may ask: What is their motive for carrying on business at all? It is quite impossible to attribute to the heads or subscribers in such companies or to those why may invest money in them to be re-invested a philanthropic

or even a semi-philanthropic motive. If Government may be criticized as loaning for the welfare of others first and themselves afterwards, the private loaning institutions must escape any such criticism. Their one idea is to make a profit on their lending operations. And with this idea in mind it is not to be expected that they will lend to people or in places where such profit is not reasonably certain to be made. No matter how badly a farmer 25 or 30 miles from a railway may require a loan, they will not advance him any money so long as they have enough borrowers 10 or 15 miles from a railway to take up all the loanable funds. If they can be of benefit (and they probably will be) to the borrower incidentally in addition to making a profit out of him, they will be even better satisfied, but it will be chiefly because they realize that if he should ever gain need financial aid, they are more apt to be called upon. It would be difficult to find cases where loan companies refused to take payments from a man who had not been benefited by the loan advanced to him.

Bearing in mind this profit seeking element, we may next ask what has been the scope of these institutions in Canada. As a general statement it may be fairly said that such companies are always active in mortgage lending when a country is new and not fully developed, and that they are gradually shifted from one section to another as each became settled and self-supporting. To show that the tendency indicated in the

foregoing statement is correct we may follow it by making a second general statement to the effect that although these institutions are still operating more or less in all the provinces of Canada, their chief interest is now centred in Manitoba, Saskatchewan and Alberta. Third, it may be stated that until recently, the loan companies have held much the largest proportion of all loans made by corporate institutions. Finally it may be generally asserted that the tendency of such companies to lend on farm mortages security is not nearly so marked to-day as some years ago owing to the fact that during and since the war the tendency has been to invest an increasing proportion of available funds in Federal, Provincial and municipal bonds, in stocks and also in urban property. In order to show on what these general conclusions are based, it may be well to submit some statistical facts.

On December 31, 1900, the grand total of all assets of loaning corporations with Ontario charters was $149,657,967.84[a] Of this total the loan companies held about $96,000,000; the loaning land companies, $1,011,373.79, and the trust companies $1,142,734.10. At December 31, 1911, the grand total of all amounts of all loaning institutions was $340,478,588.96. Of this total the amount of debts secured by mortgages of land was $142,164,249.03[b] as compared with $131,138,109 in 1910. Of this amount the loan companies had about $135,000,000 and

(a) Rep. Registrar of loan Corporations, Ont. 1900, p. 317.
(b) " " " " " 1911, p. 355

the trust companies about $5,500,000. The 1922 report of Ontario loaning corporations did not differentiate between mortgage loans on land and on urban real estate, but the total amount loaned on all kinds ofreal estate was $139,195,553.(a) Of this amount only $3,622,217 had been loaned by four companies operating in the three Maritime Provinces; $15,839,814.80 in Quebec by the one Company operating there - The Credit Foncier Franco-Canadien - and $58,893,404.63 in Ontario where all the companies operated. Thus of nearly $140,000,000 a total of over $79,000,000 had been loaned in the five eastern provinces and on this the full amount of interest due was only $765,180.33. The remaining $58,840,116.79 of the gross amount was loaned in the four Western Provinces and the total amount of interest due on it was $2,610,216.53. Again, in these four provinces the loans were distributed as follows: $11,045,869 in Alberta, $21,881,928.06 in Saskatchewan, $20,034,386.61 in Manitoba, and $5,877,932.17 in British Columbia. The above figures for 1922 relate only to the money loaned by loan companies

The mortgage loans of Ontario chartered trust companies for the same year showed a total mortgage investment of $34,910,944.96 of which $13,780,143.90 (on which the total amount of interest due was but $44,788.90) was in the five eastern provinces, and $21,130,801.06 (with $1,000,540.50 of interest due) was invested in the 4 Western provinces.

(a) Rep. Registrar of Loan Corporations, Ont. 1922, p.255.

That Canadian Lige assurance companies had invested a large and increasing proportion of their total assets in real estate mortgages during the years immediately before the war is evident from the following interesting tables.(a)

CANADIAN LIFE COMPANIES

YEAR	% of assets in form of mortages
1905	26.06
1906	27.78
1907	29.30
1908	28.75
1909	29.48
1910	31.23
1911	33.33
1912	35.55
1913	37.39
1914	36.75
1915	35.02

That the total assets of the same companies rapidly increased during those years and that a large proportion of the increasing assets were invested in mortaged is evident from the following:(b)

CANADIAN LIFE COMPANIES

YEAR	% of increase in mortgages to increase % in assets.
1906	42.23
1907	45.69
1908	23.61
1909	36.14
1910	45.92
1911	52.24
1912	55.88
1913	55.38
1914	30.71
1915	7.92

The sharp fall in the proportion of mortgage investments

(a) Financial Post, May 6, 1916, p. 23.
(b) " " " 6, 1916, p. 23.

in 1914 and 1915 naturally is of interest. The cause is, as might be expected, largely due to the war. In 1914 and 1915, there was a tendency in some parts of the Dominion to pay off existing mortgages, while the call for loans of this nature fell off. Immigration practically ceased in these years, while there was considerable emigration. Settlers recalled to the colours of their native countries and many others, after the burst of the land boom in the West, left the country. The Dominion War Loan and the war loans of Great Britain and her allies were first calls upon the investment funds of Canadian Life Companies, both by patriotic prompting and Government pressure. The general depression has reduced market values of existing issues of bonds and stocks, so that companies were not tempted to realize their holdings in these securities, but devoted a larger proportion of the increase in their assets to the new issues, which yielded an attractive rate of interest as compared with mortgages. Moreover, some part of repaid mortgage money instead of being re-invested in that class of security was also devoted to the liberal war loan subscriptions.

In order to show the policy which insurance, loan and trust companies pursued during the war years and the two years following the war in regard to investments, we desire to quote still further figures.(a)

(a) All these figures were supplied to the Government and have been obtained from Canada Year Book, 1921, p. 745.

In 1916 the total assets of Canadian Fire Insurance companies operating in Canada was $21,178,244 of which $3,343,750 was composed of loans on real estate and nearly $11,000,000 in stocks, bonds and debentures. In 1917, the total assets were $24,713,770; the amount in real estate loans, $3,186,488; that in stocks, bonds and debentures, $12,047,368. In 1918 the total assets wete $28,733,985; the real estate loans $2,232,143 and the amount in stock, bonds and debentures, $16,259,079. In 1919, the total assets were $35,696,736; the real estate loans, 2,101,585; the amount in stocks, bonds and debentures, $20,915,949. In 1920, the total assets were $39,640,839; the real estate loans, $2,275,827; and the stocks, bonds and debentures, $23,291,113. The figures for the British Fire Insurance companies operating in Canada during the same years show much the same story. Of assets of such companies values at $28,720,800 in 1916, loans on real estate comprised only $5,321,817 and stocks, bonds and debentures, $15,487,919. In 1917, the assets were $40,327,038; the loans on real estate $12,709,933; and the amount in stocks bonds and debentures$17,352,975. In 1918, the assets were $46,023,900; the loans on mortgage $12,812,262 and the stocks bonds and debentures, $22,972,016. The 1919 assets were $39,059,092; the mortgage loans $13,969,328; the stocks, bonds and debentures, $24,460,316. The 1920 assets were $58,430,623 the mortgage loans $13,047,264, and the amount in stocks, etc. $32,024,536. During the same five years the foreign fire insu-

rance operating in Canada invested absolutely nothing in mortgages on any kind of property, but increased the investment in bonds, stocks, etc., from 9 to nearly 18 million dollars. Considering all fire insurance companies operating in Canada during 1916-1920 inclusive, the total assets increased from 62 million to over 125 million dollars. Their loans on real estate nearly doubled between 1916 and 1917, remained the same through 1918, decreased to much less than the 1916 figure in 1919 and again increased to the 1917 and 1918 figures in 1920. Throughout the period the increase in bond and stock investments showed a steady increase from approximately $35,000,000 to approximately $73,000,000.

The growth of life insurance companies as to the rapid increase in the volume of their business has been phenomenal the total life insurance in force in Dominion companies in 1869 was only $35,080,082, while in 1920 it had increased to $2,657,025,493. Not only this but between the period 1913 and 1920 the amount per head of Canada's population almosr doubled. To realize the proportion of life insurance investments placed in loans on real estate mortgages during the five year period 1916-20 inclucive, we may note that in 1916 the total assets of all life insurance companies operating in this country amounted to approximately $418,000,000. Of this total approximately $123,000,000 was in the form of loans on real estate. By 1920 the total assets had increased to approximately $589,000,000 while the amount invested in

mortgage loans still remained approximately the same -- $123,000,000.(a)

The foregoing figures demonstrate clearly that the insurance companies have not yet gone into the mortgage lending business in Canada as extensively as the loan companies in proportion to their available investment funds. That the loan companies have, even in late years, bent a greater part of their energies towards carrying out the work of mortgage loaningmay be seen from the following table which shows the total assets, the proportion invested in mortgages, and the proportion invested in bonds, stocks and debentures:(b)

Year	Lent on mortgages	Loans upon&investments IN bonds, stocks, Etc.	Total Assets
1914	$53,710,084	$10,666,594	$70,588,091
1915	52,807,357	10,880,850	71,992,666
1916	51,981,926	11,799,224	70,872,297
1917	49,981,872	12,124,736	69,676,223
1918	48,293,908	14,188,297	69,995,031
1919	47,309,298	19,420,695	74,520,021
1920	66,775,084	18,344,060	70,413,261
1921	67,320,461	16,842,515	96,698,809

The table indicates that while a distinct increase was made in the amount invested in bonds and debentures, yet that form of investment fell off in 1920 and 1921 while the mortgage loans remained fairly constant during the war and increased rapidly during 1920 and 1921.

The following table is instructive, in that it illustrates nor only the growth of the mortgage loaning business in

(a) Canada Year Book, 1921; pp. 752-753.
(b) " " " 1921, p. 730.

Canada through twenty of the earlier years, and also shows clearly the average percentage which the loans bears to the value of the security offered, as well as the percentage of arrears which may be expected by companies of this sort on this type of investment.(a)

Year	Loans secured by mortgage	Percentage of loans to value of security	% of over-due loans to mortgages.
1874	$ 15,041,858	42.5	2.24
1875	18,360,715	42.7	2.36
1876	22,827,325	44.2	2.97
1877	28,282,712	45.8	2.51
1878	33,998,174	43.4	3.84
1879	34,781,494	45.0	5.40
1880	56,682,200	48.6	7.30
1881	61,948,053	46.6	4.91
1882	68,025,897	45.9	2.91
1883	69,922,344	47.3	2.92
1884	74,115,136	45.3	2.72
1885	78,775,243	47.2	3.06
1886	84,573,384	47.3	3.91
1887	86,901,364	47.0	4.35
1888	93,468,943	50.8	3.79
1889	98,726,041	48.2	2.38
1890	105,535,649	48.2	2.20
1891	106,404,856	47.7	1.95
1892	109,807,356	41.9	2.03
1893	110,916,500	48.7	2.39

From all statistical data so far produced, certain facts become readily evident. In the first place, it may be seen that, in the case of all these classes of loaning institutions under discussion - loan, trust and insurance companies -- there has been a great increase from year to year in the volume of business carried on and that amount of the total assets. It is thus clear that a greatly increased amount of funds has been made available for investment of some sort.

(a) Statistical Yearbook of Canada, 1894, p. 677.

In the second place, it can be inferred that there is no guarantee that these institutions will at any or all times invest their funds in nothing but mortgages, but that they will rather place their investments in that channel in which the best prospects of profit offer at the moment. This policy of not placing all their eggs in the one basket is to be highly commended, and it will probably mean that at no time they will give up mortgage loaning altogether. At the same time the same policy will mean and does mean that if the market for bonds and other securities happens to promise better returns than the farm mortgage market, it will be used for investment in preference to the latter. A third inference from the data cited is that loan companies are more to be depended upon by farmer borrowers than trust or insurance companies, as the figures show that they still lay the greatest stress on the mort gage lending feature of their business, as well as still commanding the larger proportion of the loaning funds. The right of loan companies to issue debentures as a means of borrowing money probably gives them an advantage over the other types of companies in that they may secure plenty of funds so long as their general credit is good and money can be had at a reasonable rate. Another fact worthy of note in this connection is that the success of these institutions in making collection has been exceptionally good, and particularly that that success has been more marked in the eastern than in the western provinces.

According to a statement in the report of the registrar of Ontario loan corporations for 1922[(a)], Ontario and the other eastern provinces have always been conspicuous for the merit of their mortgage investments both as to safety of principal and promptness of interest payment. On an investment of approximately $93,000,000 in mortgages, of which $72,000,000 was in Ontario, the total arrears shown in the mortgage accounts of the loan companies was less than 1%. The statement addes, however, that the actual arrears would be larger than the percentage indicated, due to the practice of several of these companies of encluding any accrued or overdue interest from their statements. In the case of Western Canada, on the other hand, the report shows the average arrears of interest on mortgage investments in 1922 to be approximately 4.5% on a total investment of approximately $80,000,000. Although the exceptionally serious times which western agriculture passed through during 1921 and 1922 is, doubtless, partly responsible for this high average of arrears, yet it must be gathered from the statistics quoted in previous pages that the general tendency is for payments to be met much better in the East than in the West. Not only do the records prove that a high standard has been set in the matter of making collection, but also that it has been the consistent practice of these institutions to loan conservatively. When it is seen that the average percentage of a

(a) Rep. of Registrar, Loan Corp. of Onta. 1922, p. VI of introduction.

loan when compared with the value of the security taken is below the 50% mark, and that on a low valuation, it cannot be said that these companies are taking a very great risk. When it is borne in mind that the loan taken as security has risen consistently in market value during the 20 year preceeding 1920, it must even more evident that the element of risk involved in lending on the security of such land is small indeed. If a farm is valued at $2000 when a loan company advances a 50% loan, the amount of thatloan will be $1000 and the value of the security at the time the loan is made will be $2000. If that security increased in value as the term of the loan runs and reaches a value of say $4000 at the end of a five year period, thenbit is clear that the loan company's position is very safe, unless the increased value is due to inflation.

After all, the wisdom of the policies followed by these institutions, so far as the shareholders, depositors and investors are concerned, must be determined by the degree of financial success achieved. To get an idea of the present financial standing of these concerns, we may note facts taken from the annual financial statements of several of the larger institutions.(a) All figures indicate the standing at the end of the last fiscal year. The Conferedation Life Company had a surplus of $1,208,387, the largest in its history. Its total assets had increased by $3,359,164 to $36,889,701 of which $5,271,363 was invested in debentures and $1,013,975 was appro-

(a) From Financial page of Toronto Globe during Jan. and Beb. 1924.

Further figures and reports might be quoted, but a sufficient number have already been given to convince the most pessimistic that these instotutions have lately been increasing their business, making large profits and investing a fair share of their funds in mortgages on real estate. Further, the fact as show, that many of these companies can show ubstantial reserves after operating for as many as 53 years and can, even in the adverse conditions prevailing in 1923, pay large dividends to shareholders, shouldprove that they have been well managed and that the main principles followed are sound. The reports also illustrate the increasing amount of funds which these companies are likely to have available for investment in the near future. Whether that investment will take the form of farm mortgages, is, however, an entirely different matter.

Our main purpose in considering these institutions is not so much to determine what they have done in the past as to try to find out what they are capable of doing in the future, and in particular, what they may be able to do in the matter of assisting farmers to buy land. The history of their past workings can only be of value insofar as it may guide us in our consideration of their policy for the future. Let us consider than what possibilities there are for using the loan, trust amd insurance companies in helping Canadian farmers to pay for their land purchases.

To begin with it should be clearly understood that the great majority of the figures quoted above, indicating the

amount of money which these institutions have invested in real estate, do not mean that that real estate is all farm land. It is not to be assumed that, when mortgage investments are mentioned, farm mortgages exclusively are meant. It is extremely unfortunate for our purpose that it is not possible to estimate the number of farm mortages as distinct from those on urban real estate. In the course of numerous interviews with loan, trust and insurance companies' managers, the writer enquired as to the proportion of funds which have been invested in farm mortgages and, further, the proportion of farm mortages that had been made for the specific purpose of purchasing land or paying for land already purchased. Without exception the answers received were to the effect that the companies have never differentiated between country and city loans and certainly had never kept any account of the purpose for which farm loans were made. Moreover, these officials replied that the amount of research required to obtain such information would involve the services of one or more employees for a considerable time. It is thus impossible for us to know just how great a part such concerns have played in the actual purchase of farm land. At the same time, enquiries directed to the same officials elicited the general information that the era of farm mortgage loaning in Ontario and in other eastern provinces was generally speaking, the last quarter of the 19th century, and that from 1900 to the present; the chief interest in farm loans has centred in the three prairie provinces. It was stated that by the

end of the century and certainly from 1905 on, the farmers in Ontario had become sufficiently well established to finance themselves. The tendency had been that the need of company loans had become less as settlement progressed and that the falling off in the demand for loans had been accompanied by decreased rates of interest. When decrease in loans and rates occurred the companies looked to a new field and for the most part found it in the West. The officials interviewed stated further that although the companies never entirely ceased to operate in the older provinces, yet the demand for mortgage loans there had until lately, become negligible. The tendency, they said, in recent years had been for the companies to place most of the farm loans in the West while in the East the majority of their loans was on urban property. When they were asked the reasons as to why the companies favored city loans, the universal reply was that the expenses of placing and overseeing the urban loans was much less. It was stated that a loan company valuator could in the course of a single afternoon investigate half a dozen or more urban properties, while it might take him a couple days to travel 100 miles or more to look over the occasional farm property on which a loan was requested. Moreover, it was stated that the average urban loan was much larger than the average farm loan. The same reason -- greater expense of inspection and overseeing - was given as a reason for the invariably higher interest rates charged on rural loans.

Not only has the general tendency been to cut down on the farm loaning, but it is a fact that many of the companies that now invest in mortgages, do so in the urban field only. The following quotation from some replies received from Ontario loan, trust and insurance companies will serve to indicate the present attitude and position of those institutions in regard to the farm mortgage situation:-

"In respect to your inquiry regarding farm mortgages, we desire to say that practically all our mortgages in this office are on properties located in the city of Toronto and County of York. Any farm loans we have are taken usually on the basis of 33 1/3% of the value of the same."(a)

"I may say that this Company has not made a practice of lending extensively on farm mortgages. Our loans are confined almost exclusively to city of Toronto residences the chief reason being that in this field we have always been able to find demand enough for the funds that we have to lend. We have, however, a few farm loans and look upon them as very satisfactory security. As long as we can find outlet for all our funds in satisfactory loans in the city of Toronto, there is no inducement to go into farm loaning, as it cannot be handled from a Toronto Office as conveniently, or as cheaply.

"Our practice is to lend not more than 50% of our estimate of the value of a residence or farm on which we are making the loan. We do not consider it good practice to lend much more than this percentage of the value, though in the case of farm lands where the values are more stable, we might be prepared to lend a larger percentage of the value, but in that event would insist on annual repayments of principal so that the amount might be gradually reduced."(b)

"In reply to your favor we have to advise (1) that the Company has not been making loans on farm mortgages or other real estate for a number of years; (2) that there have been no loans made for the purpose of buying or paying for land purchased for a good many years." (c)

(a)From a letter dated Feb. 15, 1924, received from the Manager, Toronto Branch of the Capital Trust Corporation.
(b) From a letter dated Feb. 16, 1924, received from the Generd Manager of the Chartered Trust and Executive Co.
(c) From a letter dated Feb. 15, 1924, received from the Generd Manager of the Colonial Investment and Loan Company.

"In reply to yours of February 14 we beg to say that we have not made any mortgage loans on farm properties for several years. In fact, the only farm loans that we have are located in Saskatchewan and Alberta, and on account of the poor crops they have had there for some years, they are not very satisfactory. Replying to your third question, we might say that usually loan companies consider a 50% loan of the bona fide sale price of a farm a reasonably safe loan. (a)

"This company has practically no farm loans, our Ontario business is confined to Toronto City loans and in the West the Provincial Governments have piled up so many imposts which take precedence on farm mortgages that we confine ourselves to city loans. I do not think that we have more than half a dozen farm loans altogether." (b)

Some very interesting information relating to the practice of loan companies in Ontario is given in a lengthy letter written by the Manager of the Victoria Trust and Savings Company, Lindsay, Ontario, a man intimately acquainted with the farm mortgage business.(c) While stating that it was impossible to estimate the proportion of mortgage investments which has been in farm mortgages except in a qualified way, he stated that there is and has been great irregularity in this respect. Sometimes, for a few years, the overwhelming proportion of mortgage loans will go in farm loans, due to the large movement of immigration, etc., such as took place in the Canadian West between 1900 and 1912. During times such as the present when some of our towns and cities are building rapidly, the larger proportion will go in town and city loans. As to what proportion

(a) From a letter dated Feb. 15, 1924, rec'd from the Treasurer of the Crown Life Insurance Company.
(b) From a letter dated Feb. 15, 1924, rec'd from the Managing Director of the Real Estate Loan Co. of Canada.
(c) Letter dated March 3, 1924, rec'd from the Manager of the Victoria Trust and Savings Co., Lindsay, Ontario.

of farm loans are made for the purpose of purchasing land, he would say the overwhelming proportion, but would not venture to give a definite figure. As to the proportion which the loan bears to the value of the property, this also varies with the locality and the permanence of the settlement. In old established farming districts such as Ontario, 50% of the Company's loaning valuation is considered a fair proportion, but in the case of specially desirable properties this proportion is sometimes exceeded. As to the number of farms in Ontario which have been purchased through loans by companies, this official could only venture the opinion that the number is very large and that the proportion of all farms purchased must have been very large. He concludes by presuming that, while most of the older parts of Ontario have paid off their mortgages, there will always be a field for loan companies to make farm loans even in old Ontario.

As to the extent to which the loaning corporations operate in Quebec, we have rather conflicting evidence. On the one hand there is the written statement(a) of the Provincial Minister of Agriculture to the effect that at the present time there are no such companies operating in the rural parts of Quebec, and further his expressed opinion that such companies could not hope for any appreciable degree of success if they were to operate. An exception to this somewhat sweeping statement is found in another statement made by the Manager of the Montreal Branch

(a) Letter received by the writer from Hon. J. E. Caron, Minister of Agriculture of Quebec, in Nov. 1923.

of the Credit Foncier Franco Canadien Loan Company.(a) After admitting that a very small volume of business was presented to the mortgage companies for a number of years past, this official stated that recently conditions in Quebec had changed somewhat, due in part to the appearance on the market of Canadian Government and other public bonds, which had been liberally subscribed by the farmers of the Province. This statement is supplemented by the assertion that, as a result of the drain on rural funds through these channels, the rural parts of the Province have found it necessary to have recourse to a larger extent than heretofore to loan trust and insurance companies for accommodation. Further, it is definitely asserted that the Credit Foncier has never entirely ceased lending money on farm properties in Quebec. But as that Company is without doubt the largest and oldest that has operated in the Province, it may perhaps be inferred that few, if any, other loaning associations have been able to keep pace with its record.

Additional evidence such as the above will, we believe, amply prove that the tendency in late years has been for the loaninf corporations to largely vacate the better established parts of the country taken as a whole. For this reason one may reasonably conclude either that the demand for farm loans in those districts has fallen off, or that other agencies, private or governmental, have been found better able to supply that demand. We believe that the latter supposition is the correct

(a) Letter dated March 3, 1924, rec'd from the Manager of The Credit Foncier Franco Canadian company's, Montreal Office.

one. It cannot be possible that even the oldest established parts of the country will have no credit requirements to satisfy. Indeed, as better methods of farming are followed, more mixed and specialized forms are pursued, etc., the total capital investment must of necessity be increased since better buildings and more stock and machinery must be supplied. On the other hand, as a district becomes well settled, the amount of land which annually changed hands is ordinarily small. However, all farm property must pass from one owner to another at least as often as each generation passes, no matter how old or how thickly settled the community may be. Farmers are continually retiring and being succeeded in ownership by younger men, either their own or other men's sons. In such cases as there money will be needed to buy the land as well as the rest of the farm property. In many cases of farm sales - for example, those from father to son - the purchaser is able to make qa cash payment and the vendor takes a mortgage for the balance. In such cases aloan company does not figure at all. In many other cases, however, the vendor requires to receive his whole equity in cash, which amount the purchaser will seldom be able to pay. It is in just this type of case that a loan company is given an opportunity to make an advance.

Coming more particularly to a consideration of the possibilities of corporate loaning institutions as farm loaning agencies to-day or in the future, let us note some of their strong and some of their weak points. First of all, it must

be admitted that in these concerns, Canada possesses a large number of highly capitalized, efficiently managed institutions. Moreover, they have been (at least the loan companies) specially organized for the purposes of lending on mortgage, and have had many years experience in that field. That experience has resulted in the building up of a highly efficient lot of valuators and a thorough geographical knowledge of the agricultural areas of the country. Second, it may be truthfully stated that the companies have succeeded in educating the farm borrowers in the business necessity of prompt repayments of principal and interest. This fact was particularly emphasized by the evidence of Mr. Colin Fraser, Commissioner of the Saskatchewan Farm Loan Board before the Special Parliamentary Committee in May 1923 (a). It was there shown that the Saskatchewan Farm Loan Board had not be able to compete with the loaning corporations in the matter of collections, the chief reason given fot the latter's greater success being the fact that their long business connection had taught the borrowers the absolute necessity of meeting payments due to the absence of any leniency on the part of the Companies. Personally, we are strongly of the opinion that, while the companies have had a great time advantage in this matter of educating the borrowers, yet that if the government loaning systems and the private loaning companies had begun operations at the same date, the

(a) Minutes of Proceedings and evidence of Special Committee on agricultural conditions, No. 32, may 7, 1923, pp. 1721-24.

latter would have won out in the race for collections. We base this opinion on the general inclinations of all Canadians, not only Canadian farmers, to regard the government's as paternal agencies from which aid may be successfully sought in time of need, but repayment to which may be delayed until convenient. Whatever success governments in the farm loaning business may be able to achieve in educating borrowers to repay promptly, it remains a fact, particularly so far as the West is concerned, that they suffer at present from the greater respect shown by the borrowers to the private companies. Government farm loans are paid last of all.

The fact that these institutions are free from government control ought to result in benefits other than that of freedom from paternal influences. For example, in case of financial failure or loss by a company, only their shareholders or depositors lose and not all the tax-payers of a province or of the whole Dominion. Further, insofar as the company's loanable funds may be procured in other countries than Canada, any such failure or loss should relieve purely Canadian investors, but this would be a very doubtful benefit. These may be considered possible advantages to the whole body of the country's population as distinct from the farmer class. That class, however, is, we feel, helped by the loan companies in a way that most of its members would be loath to admit. As the figures heretofore given as well as the written statements of loan company managers show, these concerns do not make a practice of

advancing loans to farmers for a greater amount that one half the value of the security offered. It is commonlyurged that they might well advance a larger percentage of that value. The objection to such a course offered by the companies themselves is that they are loaning institutions, not land dealers; that they do not plan to have large numbers of farms coming into their hands under foreclosure measures and that the only way to avoid this is to limit the amount advanced and therefore the risk taken. No one can doubt that following such a policy is playing safe on the company's part. In the writer's opinion it is also provided a greater measure of safety for the farmer borrower. When the latter cannot secure a loan until he owns 50% of the value of the property offered as security, he is much more apt to succeed in the repayment of the loan than if he could borrow say 75% or 90% of the value of his farM. This is so for two reasons. The first is that, owing to his greater personal financial interest, he will work harder to klear himself of debt. The second is that he will be better able to rid himself of the debt burden partly because it is not so large to begin with and partly because the amount os interest he must pay will be proportionately decreased. Although mortgage loaning institutions have received much criticism for this "too-careful" policy of loaning, we feel that they are largely justified in following it. Since they are in the business in order to make money by means of loans, large amounts of which are money of private investors, ans since they have

had many years experience in the business, one would expect that the percentage which a present-day loan bears to the security offered would be almost as large as the companies thought consistent with safety. If they do not observe reasonable safety, they know that financial disaster is the logical sequel. And if that disaster were to overtake them, any permanent benefits which farmers might derive from the companies would be rendered migatory. Hence we repeat that, in the long run at any rate, the loan company policy of making only reasonable advances must prove beneficial both to the companies and to the farmers.

On the other hand, these concerns may be said to show certain elements of weakness as presend-day farm loaning agencies. For one thing it is a fact generally admitted by the companies' officials that their main efforts in the farm mortgage sphere are concentrated in 2 or 3 provinces rather than in all nine. We have show that, while the need of money for farm purchasing is probably much greater in a growing district, yet that need does exist andmust continue to exist even in the oldest settled districts. If these companies choose, as they have so far, to cater especially to the business of certain newer sections of Canada, then the farm buyers in the older sections cannot be assured of their cooperation. And it is, of course, in those older settled sections that land values are higher andthat a young purchaser is in greatest need of credit. It may be all very well for a few companies

to maintain that they have not deserted the eastern field, but the fact that the great majority of them have seen fit to cease operations there certainly offers no positive guarantee that borrowers in that part of the country can in future depend on their help. On the other hand, as we have already shown, the large numbers of private investors with funds to loan make it possible to dispense with the loan companies' services in a large measure.

Carrying the same argument a little further, we must note that there is no gurantee that the companies will loan even in the newer farming districts at all times. So long as money is at a premium, as at present, they will invest in bonds, stocks, etc. which give fairly high and certain profits and involve no inspection and supervision expenses as do the farm mortgage loans. It does not matter how urgent the farmer borrower's need may be, unless the company can be reasonably sure of a large profit as the result of loaning on mortgage rather than on security, that need will not be satisfied by them.

In the third place, the usual time for which mortgage company loans are granted is 5 years.. Five years is an impractivable short term for a mortgage in this new country, and certainly far too short when the money borrowed is used for the purpose of buying a farm. If the borrower could be certain that the loan would be renewed indefinitely for even 5-year periods under the same conditions, this defect would matter little to him. But there is no assurance that such five-year mortgages will be

remewed at maturity. This constitutes a serious menace to the farmer's credit and one calculated to restrict the ordinary consideration of banks and commercial concerns. The companies maintain that if the borrower proves himself a good moral security during the first five years, he will have little or no difficulty in getting the loan renewed for another five years. But that "little or no difficulty" may and is often sufficient to prevent such a renewal. If the money market is such that the Company can get a higher interest rate by investing in something else, the farm loan will not be renewed or, if it is, will be renewed only at a higher interest rate than before. Or if the value of the land should have taken a drop in the first five years and show signes of further decline in value, it is reasonably certain that no renewal at the old terms will be made. All these elements of uncertainty handicap the farm nuyer as he must know before he buys a farm that he is going to have definite credit aids for a definite period which must in the majority of cases be much longer than five or even ten years.

A further element of unsuitability of these loaning concerns arises out of the fact that they charge too high interest rates. In all cases interest rates charged by such companies are "all that the profit will bear". Eight per cent is excessive when applied to the fundamental productive employment of any country, the expansion of which is thus seriously crippled.

Therefore 8% interest cannot be good business for a loan company of for the farmer. If 8% were the highest rate charged, this difficulty would not be so considerable. But such institutions do not loan in the most backward parts of the country. They will not venture into these districts where loans are often badly needed, unless they secure much higher interest rates as to make their use to the farmer prohibitive. If it is said by the Companies that their long experience in the farm loaning business does not warrant them loaning at more moderate rates, then our only reply is that they are not now meeting the complete needs of farm borrowers in this country. The companies give as their reasons for not going onto the backward regions that the security there is less, while the cost of making and administering the loans is much greater. But the security taken is always a first mortgage upon the land. Andthe percentage of the loan is approximately 50% or less of the value of that land But land in backward districts is cheap so that a loan equal to even 50% of its value would necessarily be a small one and, therefore, the risk involved would be correspondingly small. There would accordingly appear to be no just reason for the levying of much higher interest rates in the more backward areas.

Again, despite the undoubtedly wide-spread knowledge of the world's money markets coupled with the very adequate legal provisions of such companies for raising money, there may be times when they are not able to secure a sufficient quantity of loanable funds. In the early part of 1921 such a difficulty

arose.[a] The problem of the mortgage lenders at that time was to obtain funds to meet the demands of a larger number of borrowers than they had hitherto had to deal with. Borrowers were many and lenders few. This was the case in spite of the fact that there were actually more lenders than usual. But most of the new lenders had invested in Victory Bonds and in municipal and provincial securities, and not in farm mortgages. Money was slipping away from 7 and 8% mortgages into 7 and 8% bonds. An examination of the statements of 55 companies disclosed a steady increase in securities as compared with mortgage investments.[b] In a half dozen of those companies which were quite representative of the whole number, the statements showed that within three years their security holding had increased by 60% and mortgages declined 7%. The loan companies at that time claimed that this failure of the public to invest in farm mortgages was due to unjust burdens which the provincial governments in the West had placed upon the mortgage lenders. They claimed that those lenders had received more "knocks" than rewards; that they were subjected to disciplinary restrictions, taxation and moratoria in place of encouragement. And it was claimed that it was only natural to expect that funds usually placed at the disposal of mortgage lenders had been diverted to other fields. It was held that the Government of the three western provinces had yielded to sporadic demands of farmers

(a) Monatory Times, Jan. 7, 1921, p. 113, 114, by J. Appleton.
(b) Same reference as above.

for moratoria, had bonused lending, and had introduced retroactive legislation prejudicing legally-made contracts previously entered into by the loan companies; that they had contributed to making necessary higher taxation, higher interest rates and their natural corolarry-shortage of funds for such farm mortgage loans; and, that this action on the part of the Governments, taken at the instigation of a small minority of the borrowers had placed a burden on all mortgagors. The mortgage lenders maintained that there would be no great volume of new money available for mortgage purposes until the investing public was convinced that legislators would not unnecessarily impair mortgage contracts, and that at the same time they would see to it that the mortgage itself and the security covered by it was not insidiously attacked by various forms of special taxation.

That this tendency of the mortgage lenders to restrict lending in the Western farm mortgage field has not become less pronounced but, rather, has become more marked since 1921, is evident from the statements made and policies followed by these lenders to-day. Of course, the fact of the adverse agricultural conditions in Western Canada would of itself have checked the making of new loans, but it is nevertheless the concensus of opinion of loan company officials that more or less recent Government enactments have been equally if not more responsible for the curtailment of mortgage loans. In every case where the writer interviewed loan, trust or insurance company officials, he found unfailing hostility to government or public interference

in two main directions. The first was objection to active farm-loaning as carried on by the Ontario, Manitoba and Saskatchewan governments, on the ground that these governments were entering the established companies' rightful field of business. The second was the bitter objection to legislation which gave municipalities or provinces prior rights over mortgage companies in the matter of repayments. The nature of this latter objection can be best illustrated by summarizing one man's description of the present situation in Alberta(a). After stating that by 1916, loan, trust and insurances companies had invested in the three prairie provinces the huge sum of $300,000,000 at an average rate of interest of 8% and at an average rate of $10 per acres of the land pledged, and that the excellent crops and high prices of 1915 and 1916 had promoted the prompt payment of interest, this man states that certain disquieting events occurred which caused capital to become wary, and that financial institutions had shown a distinct tendency, even at that date, to proceed with care in placing further large loans unless the security was absolutely beyond question. Describing the nature of these events the writer says "in short, the politician had commenced to exercise his destructive influence. In order to carry favor with the large farmer vote, all sorts of spectacular legislation was being passed by the provincial law-making bodies, ostensibly to "protect" the farmer. The collection of interest and principal upon farm mortgages was being surrounded gradually with obstacles and difficulties of every conceivable nature. Later on legislation was passed in Alberta destroying

the time honoured status of the mortgage as being the first charge upon the lands affected, until this instrument had entirely lost the meaning attached to it in all other civilized countries. Precedence over the first mortgage has been thus given in respect to the following items:

Prior liens:

1. Hail insurance premiums.
2. Hospital aid relief.
3. Charges for destroying weeds.
4. Wild land tax.
5. Charges levied under drainage act.
6. Charges for the destruction of agricultural pests.

In addition to the above and other direct charges against the land itself, which are placed ahead of the first mortgage a mortgagee's rights have also been interfered with by giving a prior lien on the crops grown on mortgaged premises as follows:

1. Lien for provincial seed grain advance.
2. Lien to municipalities for fodder and relief.
3. Lien for municipal seed grain advances.
4. Lien in favor of cooperative credit societies.
5. Lien to storekeepers for goods supplied during the crop season.

Each and every one of these charges is pernicious in principle, and interferes with the security which a first mortgage is entitled to enjoy. If chargeable against the title at all, they should take their place in rank of registration only".

Exceptional circumstances call for exceptional measures, and it may be granted that the latter have become too much the rule in Western Canada. Whatever we may think of the justice or injustice of the accusations made by writers such as the above and by mortgage company men in general, we must surely percieve

some elements of justice in their arguments against legislation of the type illustrated. If, as is urged, all this legislation was passed merely to cultivate the farmer's vote and not to actually "protect" his financial interests, there is little that can be said in its favor. On the other hand, there seems a possibility that there is even now being experienced, some hardship to the farmers as a result of this legislation, in that it is discouraging investment. To commit gross breaches of faith with those who have risked their savings in Western mortgage loans, to throw to the winds all considerations of justice and fair play, to repudiate all responsibility towards non-resident investors who depended upon the Government to protect their legitimate interests, are all and each very questionable methods of procedure. What would appear to be particularly unfair is the retroactive nature of this legislation. If it affected only those mortgages which were placed after its passage much less could be said against it, as the tendency to destroy confidence in the sanctity of contracts would be practically eliminated. But when before this legislation was enacted a mortgagee advanced money on the strength of the legal mortgage covenant, and now finds himself through no fault of his own deprived of what it was agreed he was to get when the contract was made, there suerely does appear a large measure of reason in the mortgage lender's compkaints. And while, as we have said already, it is idle to maintain than the past unfavourable seasons have not had a detrimental effect upon the free flow of mortgage capital, the fact remains that legislation of the sort

described above is sufficiently objectionable to prove a very important obstruction to the flow of capital at the present time. It is not at all certain that the Governments concerned are even contemplating action to remove the objectionable legislation or to counteract its injurious effects, but it is abundantly clear that so long as it remains in force there will be a serious obstacle to the ready access of farm mortgage money.

In concluding our remarks concerning the part which has been played by existing financial organizations in the matter of land purchasing, we may justly assert that in this service a large amount of pioneer work and the risks incident thereto have been effected by these institutions. Whatever may be said of their methods of their work at the present time, there is no doubt that the development of the entire Dominion had been greatly aided by the part they have taken. And while we have noted a recent marked tendency on the part of these concerns to invest a larger proportion of their funds in other forms than farm mortgages, yet it remains true that much is still and will likely be invested in that way. Further, it may be fairly reasonable to conclude than the larger number of farm mortgages that were made during and in the two years after the war were for the purpose of buying more land. Building and other permanent improvements on the farms were largely at a standstill owing to scarcity of labor during the war. It may be inferred, moreover, that many of the earlier mortgages were repaid during the prosperous war years and that a large number

of the present difficulties of farmers in meeting payments and of loan companies in securing collections is the result of loans made in the period from 1915 to 1920 inclusive when land values were greatly inflated.

In a word, we may sat that private mortgage loaning institutions as they hace operated hitherto and are now operating are not sufficient to fill the long-term credit needs of the farmer, whether capital is needed to buy land or for other purposes. Unless some means are found whereby these companies may be willing to cooperate with the governments or are willing to make profound changes in their policy, their ability to meet the present and future requirements for agricultural mortgage loans must remain at the best only partial. As aids to farm purchasing they are of no use whatever unless the farm buyer either has at least 50% of the purchase price or unless the land vendor is willing to take a second mortgage for part of the cost. The experiment of cooperation betweenloan companies and the governments, illustrated in the description given in the chapter on Nova Scotia financing, seems to offer as much promise as any suggestion yet made.

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CHAPTER XVII

GENERAL SUMMARY

In closing this survey concerning farm land purchasing we desire to draw special attention to the problem as it exists to-day together with a brief comment on the methods so far employed in solving it, their inedequacy, some further present-day suggestions, and finally our own general idea of the proper solution. We propose to do this by asking one or two definite general questions and attempting to outline briefly the answers.

First, what is the Canadian land-purchasing problem today? We may say that it has to do chiefly with improved farms which were purchased during the era of inflated land values, but which must be paid for out of deflated farm-product prices. The average prices which the farmer received in 1921 were 147.5 as compared with 204.9 in 1920 and 252.7 in 1919, average prices for the quinquennium 1909-1913 being considered as 100. To put it in another way, the farmers' selling prices for 1921 were 28% below those of 1920.(a) If statistics for 1922 and 1923 were available, they would no doubt show a much greater fall. A recently issued bulletin(b) shows that while the Canadian wheat crop of 1923, finally estimated at 474,199,000 bushels, was almost 75,000,000 bushels greater than that of 1922, the

(a) Canada Year Book, 1921, p. 271, 272.
(b) Bul. issued on Jan. 26, 1924, by Dom. Bureau of Stat.

value - unless of course, there is a very rapid advance upon current quotations - will be only $316,606,000 as compared with $369,822,000 for the much smaller crop of 1922. The average price per bushel received by the farmer in 1923 has been 67 cents as against 85 cents in 1922, and $1.37 the average for the 5-year period 1918-22. These figures indicate that it was only the high average yield in 1923 that eased the situation in the Canadian West from complete economic breakdown.

While the land-purchasing problemis common to all parts of the country, it is much more noticeable in the three prairie provinces where the individual farms are the largest and where the greatest number of purchases have taken place in late years. It is the more severe in those provinces, also due to the emphasis laid on the one crop system of farming and the greater absence of mixed farming methods than in either British Columbia or Eastern Canada. For the most part, all who purchased land prior to the war would have their payments completed before the agricultural depression made its appearance in 1921. In certain cases, however, where the buyers had a ten or twenty-year period in which to complete the payment for this land, they decided that it would be good business to improve the land with buildings rather than pay out the land purchase money. Much of the distress in Western Canada to-day arises from the purchase of land during war times at high prices from private owners or speculators. In many cases the man who had previously acquired a homestead and pre preemption and had a comfortable home free of debt, mortgaged

this in order to buy another half section at prices ranging from $50 to $100 per acre, only to fins now that, with wheat at 80¢ and less a bushel, he cannot pay that price and is likely to lose not only his new purchase, but his original farm home as well. Rhere was a period during the war time when banks, politicians and public bodies in general begged the farmer to borrow money, the banks in some cases almost forcing their money on them, the idea being that it was patriotic to borrow large sums of money, buy larger holdings and produce more crops. The end of the war came, prices dropped, but the farmers today are left with their great amounts of debts at high interest rates and no revenue with which to pay them. Only one thing is possible and that is that the farmer throws up his contract, thé land returns to the loan company or land vendor, which in turn is helpless to do anything with it. As a consequence the land is left in an abandoned condition to grow thistles and weeds, which tend to overrun the farms of others in the district who may have pursued a more sane policy and are still solvent and in a good financial condition.

A second reason making for the importance of the land purchasing problem in Canada is one which is directly associated with the present western difficulty. This is the machine age in agriculture as in most other industries. To employ farm machinery profitably necessitates the ownership and operation of large farms. Moreover, the largest and most expensive machines are employed in the prairie provinces where mixed farming has not yer advanced so far and where the exigencies of a

new frontier country make the cultivation and production of some one staple a necessity. In Western Canada that staple product has been largely wheat or other grain. The large comparatively level stretches of fertile prairie land have been especially adapted to grain-growing and the use of large power machinery, and the comparative ease of procuring land until a few years ago futther accentuated the wheat-growing tendency. Even with the rising land prices during the war, farmers continued to purchase large acreages because the abnormal grain prices seemed to warrant such a course. The difficulty came when those abnormal grain prices became normal and even subnormal.

In the second place we may ask what methods have been employed in paying for land? It may be said that there are but two broad general methods. One is for the farmer to pay for his farm independently of financial aid; ther other is for him to supply part of the purchase price himself and to secure the balance on credit either from the vendor or from a third agency. No matter which method is followed, the farmer must eventually find the full purchase price, but if the second method is employed he usually has to pay large amounts of interest in addition to the original purchase price. If the farmers decides to purchase indepedently he may do so in any one of three ways or by some combination of these ways. First he may decide to rent a farm as a stepping stone to buying it. To do so he usually has to have considerable money of his own with which to

purchase stock, implements, etc., though occasionally and more often in late years, he may rent his stock and equipment together with the farm itself. If the business proves profitable and the man industrious and frugal, this may be a good way in which to gradually "work into" a farm. The renter should always, if possible, rent the same farm which he intends to purchase later as by doing so he is "killing two birds at once" so to speak, i.e. he is acquiring the wherewithal to make the farm purchase and is becoming intimately acquainted with the farm, the neighborhood, and the type of farming which he will later have to pursue. Tenancy of this sort which is merely a stepping stone to ownership may be occasionally upheld, but tenancy which is chronic has nothing to be said in its favor. (From our personal knowledge and from all the information which we have been able to secure, the purchasing of farms via the tenant route has met and is meeting with little favor in Canada). With the increase in land values, however, it is likely to find more general favor.

In the second place, the prospective farm purchaser may elect to work at some other employment long enough to secure the full price of the farm. This appears to us as the most desirable method when it can be employed. In years gone by when land was cheap, it was possible for a man, by pursuing industrious and saving habits, to get a farm in this way within a reasonable time. But in late years when good land has cost from $50 to $100 per acre and when improved buildings, better stock, and expansive machinery were necessary, the total investment

even in a 100-acre farm has amounted to $10,000 or $15,000. It is perfectly obvious that for a farm laborer or a farmer's son to save from daily earnings this amount of money would take the greater part of his active lifetime. And it does not often happen that farm purchasers are drawn from any other ranks. After laboring and saving for 20 or 25 years in order to get the full purchase price of a farm, most men would rather invest their money in "gilt-edged" securities such as government bonds which would enable them to "sit in an easy chair" than invest it in a farm on which they would become "servants of the beasts" for the balance of their days. The best farm in the country will not guarantee anybody a living unless the owner is willing to remain on duty seven long days every week. It is a fact that sentiment does bind a certain number of men to the land no matter what the physical effort or the financial cost may be, but the number who are willing to earn the full price of a modern farm are so few that this method may be almost dismissed from our consideration.

In the third place, the purchaser may earn part of the purchase price and manage to get the seller to take a mortgage for the balance. If the seller is not in urgent need of the full price, he will probably accept half the price and take a mortgage for the other half. If the buyer is particularly well and favorably known to the seller or if the latter is particularly anxious to sell, he will often be willing to accept in cash much less than half the purchase price, and to leave on the mortgage as much as 90% of the value in some cases. This method is very common in the older and more settled parts of the country and ha

many points to commend it. For one thing the seller usually charges a lower rate of interest than a third or outside party would demand. Again, the seller has the great advantage in many cases of having a more intimate knowledge of the personal qualities of the buyer than a stranger such as an outside loaning agency could hope to possess. There are, however, several reasons whi this method has strict limitations. First many such farm sellers have lately become educated in making business investments such as buying bonds and stocks. Insofar as this is true the tendency is for such sellers to want the full price of their farms in cash in order to reinvest it. We believe that this factor is not yet a very important one in this country and that the method of purchasing by giving cash as part payment and a first mortgage for the balance must continue to be the most common method in the older and better settled sections.

But in the foregoing study we have seen that in many cases it was necessary for the land purchasers to make use of the facilities of loaning agencies in order to complete the payment or even to pay the larger part of their purchase prices. We saw, further, that there were three general classes of such loaning agencies - corporate loaning agencies as represented by the loan trust and insurance companies; government loaning agencies, such as the Farm Loan Boards of Saskatchewan, Manitoba, Ontario or the Dominion Soldier Settlement Board; and private individuals lenders. In the case of each class certain strong and certain weak points were found to exist. The corporate loaning institutions charged too high interest rates, loaned for too

short periods, did not guarantee the duration of the loan for a sufficiently long period to make it productive, as a rule refused to enter any but the most prosperous districts, and in late years and at the present time are devoting their capital more and more to urban as distinct from rural mortgage business. On the other hand, the fact that they did not loan as a rule over 50% of the value of the security offered, tended to prevent the borrower getting too far into debt and maintained his personal interest in his farm. Moreover, such institutions were shown to possess the great advantages of long experience and intimate knowledge of the country. In the consideration of the governments loaning schemes, we emphasized throughout the danger of granting too large loans and the uncertainty of making collections - in other words, the great dangers of paternalism. Due allowance, however, should be made for the government schemes because they have practically all been unfortunate in that they began operations when agriculture was prosperous and land values were high. Besides they are all still in the experimental stage, although most of the experiments are not encouraging to say the least. As to the loaning by private individuals, two main difficulties appeared. The first was the undoubted fact that during and since the war many persons - well-to-do farmers retired merchants, and all who previously invested on a fairly small scale - learned to invest in bonds and stocks and as a consequence the money that they formerly invested in farm mortgages now goes into these other kinds of securities. Second,

there was the inability of farmers to supply each other's long-term credit needs by cooperative action due to their deep-grained love of freedom and independence and also to the distance element. We may perhaps here elaborate this difficulty a little further. The whole question of the practicability of introducing any form of cooperation in Western Canada particularly and in most of the other provinces as well, is a very serious one. Among the obstacles in its way we may state that in the case of many farmers there is still a real lack of business acumen. In the past it has been easy, perhaps too easy, for farmers to obtain loans at high rates of interest for expenditures which were quite unjustified in an economic sense. Until farmers learn to distinguish between loans for productive and loans for unproductive purposes, it is better to leave the lending in the hands of persons who can maintain a certain measure of supervision over expenditure and, consequently, raise the level of business practice. We fully believe, however, that farmers today are learning a lesson in economy, the effect of which will remain for some time. They are learning to cut their coats to suit the cloth as time goes on. But so long as they choose to mortgage their farms in order to buy high-power automobiles, submerged real estate lots, shares in wild-cat schemes, or in order to take a trip back home, it cannot be expected that the loans can be repaid. They are not made and used for productive purposes. Another obstacle in the way of cooperative loaning and this, too, applies peticularly

to the Western provinces, is the heterogenous character of the settlements and the migratory tendencies of the population. When there is poured into a land which, though fertile, yet demands great efforts, obstinence and risks, a highly varied population of all nationalities and conditions, rich and poor, exoerienced and ignorant, industrious and idle, there will assuredly be a period of stress, a time of settling and shaking down into place. In a new community people naturally hesitate before becoming guarantors for comparative strangers who are not tied to the land by bonds of tradition, which are so strong in older countries. Lastly, there is the great difficulty to be encountered in the fact that Canadian farmers live long distances apart. The same style of farming that makes large farms necessary incidentally creates sparse settlements. When each man has 100, 200 or even 640 acres or more, it can be readily understood that there cannot exist that proximity of contact which is the rule in many European countries, where each man has only from 4 to 40 acres and where the settlements actually resemble a scattered village. A recent census bulletin shows the number of occupied farms in Canada to be 711,090 and their total area 140,887,893 acres. From these figures it can be deduced that the avergage size of Canadian farms is nearly 200[(a)] acres. Whether for the above-mentioned reasons or otherwise, Canadian farmers as a whole have not yet managed to cooperate in any degree of completeness or with any large measure of success. To the writer, cooperation is the proper solution but

(a) From editorial article entitled "Agricultural Progress" in Toronto Globe, Apr. 8, 1924.

how to effect a full measure of it is the real task. So long as half a dozen farmers in any community persist in "squabbling" over the use of a single piece of machinery or the date and place where a meeting may be held, it would be foolish to suggest that they are sufficiently versed in the elements of cooperative effort to undertake such a serious, highly technical, and more widespread task as the raising and lending of large sums of money among themselves. So long as individual farmers so mismanage their own business as to work more land than they can manage, buy more machinery than they can afford, and borrow more money than they can repay, it is not clear how they could hope to manage each other's business when acting collectively. We might as well admit that as farmers we cannot hope to finance ourselves at the present time.

Whatever else may be said concerning any loaning agencies thus far tried in Canada, it seems to be the concensus of opinion that something different and more satisfactory must be found. The evidence submitted to the Special Committee on Agricultural conditions appointed by the Federal Government in the winter of 1923, showed both the dissatisfaction and the inadequacy of the present loaning facilities and suggested that some further facilities should be provided. That Committee, however, was unable to make any practical suggestions, except to recommend that some form of agricultural credit should be undertaken through Federal agencies. Desirous of carrying out the spirit of this recommendation, the Federal Minister of Finance, last October requested dR. H. M. Tory, President of the University

of Alberta to make a special investigation of rural credits and present a report to the Dominion Government as soon as possible.(a) That report has not yet been presented, but in all probability a measure based on the recommendations which it is expected Dr. Tory will eventually make, will be submitted to Parliament during the present Session.

In the meantime several suggestions are being offered in the way of rural credit machinery for Canada by other particularly interested students of the problem. To begin with, it is believe that the recommendation which Dr. Tory will make will be a proposal to form a new financial corporation, in which the Federal Government, the banks, the mortgage companies and other loaning companies, will join to extend relief to the farmers.(b) In this waythe financial institutions would share with the Government the risk in connection with advancing loans wherever needed and where the limit of reasonable credit has already been reached.

The machinery under such a plan would be comparatively simple. The farmer would place his affairs in the hands of the bank or the loan company from which he already has advances, and his application would be passed on by a small provincial board representing the proposed corporation. This plan would have the advantage of keeping the new loans within reasonable control, and credit would only be advanced to those in need and with a fair chance of making repayment. It is felt that

(a) Toronto Globe, Oct. 27, 1923. The writer rec'd a private interview with Dr. Tory in December.
(b) Financial Post, Feb. 1, 1924, p. 1,3.

under the present demands for government retrenchment it would be poor policy to adopt any project for government banks or other open-handed government assistance from the public treasury, whih would meet with the opposition of farmers as well as other classes in all the provinces. There would certainly seem to be little consistency in a policy of cutting down expenditures and one of extending more money in the form of loans. And if risks are to be taken, it is only proper that they should not all fall on the Government.

During the course of his evidence before the Special Agricultural Committee in May 1923, Professor W. W. Swanson of the University of Saskatchewan, outline a plan which he had been considering as a possible solution of the Western agricultural Credit problem.(a) His idea was tgat there should be in the prairie provinces, at least, a farm mortgage association which should be a joint stock association. This association should have three branches. one for each of the Prairie provinces. Each Branch should have a capital of, say. a million dollars invested from private sources. Each Branch should be given the right to issue debentures up to 15 times the amount of the capital, or 15 million dollars in each case or 45 million dollars for the three provinces. The million dollars of capital would be left in the form of working capital to take care of organization and other expenses, and the proceeds of the debentures sales would be available as loaning

(a) Rep. of Special Committee on Agricultural conditions. Proceedings and Evidence, No. 34, May 9, 1923, pp. 1837-41.

funds. The debentures issued should be exempt from taxation of all kinds. Professor Swanson was emphatic in declaring that the association should be free of government control or interference and even hesitated to suggest the adding of a federal government guarantee of the debentures, to make them practically a certain form of security. All debentures issued should be secured by first mortgages on borrower's property, which would be hypothecated, and it was suggested that loans should not be granted for more than 50% of the value of the land and 20% of the insured capital value of the buildings. On the basis of the million dollars of capital, each branch of the association could issue, it was thought, $750,000 of debentures and then could place that sum among the farmers and take back mortgages on land which was worth $1,500,000 which, in turn, would serve as security for another issue of another $750,000. A rather original feature of the plan was the suggestion that those who borrowed the smaller amounts from the association should be charged a lower rate of interest than those who borrowed a larger percentage of the security offered. For example, suppose one man were to borrow only to the extent of 15% of the value of his land. That would be in the witness' view a perfectly safe loan and would reduce the risk, and if the risk was reduced the element of insurance would be taken out of the interest, and the association could afford to lend to that man at a lower rate than it could to a man with a higher risk. As the loan might increase and approximate 50% of the value of the security, the interest

rate should be raised gradually. Aside from the fact that this was thought to be a safe and fair innovation for the association to follow, it was anticipated that it would prove a valuable indirect means of curbing over-borrowing. If the interest rate rose as the amount of the loan rose, a brake would thus be placed upon borrowing, which was deemed advisable in order that there should not be unjustificable expression.

The latest suggestions regarding rural credits in Canada were made but a few weeks ago by Prof. W. T. Jackman of the University of Toronto.(a) These suggestions have to do chiefly with short-term loans or loans required to supply the farmer's working capital, rather than with long-term or mortgage loans which are required to furnish the original fixed capital investment. After making a plea for the extension of the existing commercial banks to meet farmers' needs, an alternative scheme is offered, should the commercial banks fail to see their way clear to enter this field more extensively. This alternative is that the Dominion Government should make provision for the chartering of savings banks which would be developed with the special intention of providing for agricultural needs. There should be one such bank for each economic unit of the country, one for the Maritime provinces, one for Quebec, one for Ontario, etc. Private capital should be used to organize them and they should be subjected to the strictest possible inspection and examination by the Government. Those

(a) Monetary Times, March 21, 1924, p. 3, 4, 6.

depositing in these banks would be chiefly farmers and all those especially interested in agriculture and desirous of satisfying its vital needs. The rate of return upon the paid up capital should be limited to what would becalled reasonable rate in each case; and should the profits of the banks exceed that rate in any case the excess should be used for reducing the interest rate charged the borrowers.

These banks would be used chiefly to make loans for six months to a year, but it is suggested that, if after several years' operations, sufficiently large amount of deposits had been received, the banks may be able to make 20 or 30 years' mortgage loans on the amortization basis, after setting up satisfatory reserve fund. Should the bank in any section of the country be unable to make such long-term loans by reason of scarcity of its own resources, it might be allowed either to secure assistance from one or more of the banks in other parts of the country which had an abundance of loanable funds, or it might be given authority such as is possessed by the loan and trust companies to issue debentures on the basis of its massed morgages and when these were taken by investors the bank would be able to increase its loanable capital. While the plan suggested might, if successful, supply the long-term needs of Canadian farmers, among which would be the financing of land purchase, it is not suggested that it would be of immediate assistance in that direction. In fact it is urged that the development of such a

system of banks should be very gradual in order that any evil or unfortunate tendencies which might appear could be corrected as the development was takingplace and so minimize their evil results. If the need for rural credit is real and of that need is to be permanent, then the establishment of some such system as the above will be necessary. If it is merely temporary owing to the peculiar difficulties of the period, then the above system might not be of much avail by way of assistance. But if such a system was adopted, we believe that it would promise a large degree of success. The fact that private capital would be used rather than Government money would make for economy ofmoperation, the supplying of fredit exactly in proportion to the needs of the farmers, the provision of loans at the lowest rate consistent with economic conditions and sound business principles, and would have the very important effect of educating the farmer borrowers in the rudiments of business, the need for distinguishing between loans made for productive and unproductive purposes, and also the absolute necessity of meeting payments promptly and regularly. In addition, the plan would have the very important effect of keeping for purposes of agricultural development the capital accumulated in agriculture and to make agricultural credit subserve the expansion of the agricultural industry, rather than allow the savings of the more well-to-do farmers to pass into channels where they will be used to develop industries other than agriculture as they do and have long done by means of the commercial banks.

Whatever schemes may be developed to provide agricultural

credit for land purchasing and other needs of the farmer, we are of the opinion that the present difficulties in this direction and those of the future can best be met by one or all of the following:

1. By reducing the valuation of the land recently purchased or by preventing unjust speculation in land in the future.
2. By reducing the cost of other capital investments such as machinery, building materials, livestock, articles of general consumption such as clothes, food supplied, etc.
3. By increasing the market price for farm products byv further (1) developing cooperative marketing; (2) lowering transportation rates; (3) restoring the European markets.

Each of the above steps consitutes an almost insoluble problem, but we believe that only by success in these directions will success be guaranteed in land purchasing. These three methods of attack, if successfully pursued, will result in making agriculture profitable, which in turn will stop rural depopulation, increase the number of farm immigrants, increase production and so help to finance not only farming itself but Canada as a whole. If agriculture can be made profitable, the farmers will be able to purchase land if the prices paid and the interest rate reasonable. All these questions are merely incidental to the main issue. In all cases where the farmer borrows to pay for his farm, the debt incurred has to be repaid out of the income of his farming operations, i.e. his business must prove sufficiently profitable to give him a living, to meet all other expenses, and pay back the borrowed money.

Since this is a discussion concerninglamd purchasing it may be well to offer s final word regarding the subject indicated in heading (1) above. A few years ago when the Federal Goverrment was looking for land for the soldiers settlers under its land settlement scheme, it was commonly asserted that within a reasonable distance from railways in the three prairie provinces between 20 and 30 million acres of fertile and arable land were being held idle by specualators. All the land was available at a price. It was the price difficulty that raised the problem. The question to be answered in the case of all such lands was: Is the Goverrment justified in taking means to force a reduction in the price asked? It is easy to say that the problem is a simple one and that the remedy lies at hand in confiscation. Confiscation may do in Russia where Bolshevic ideals and economic justice appear to coincide. It is not a far cry from feudalistic, reactionary landlordism in Russia to the commercialism that characterizes land-holding in W estern Canada Confiscation pure and simple, we feel, is scarcely to be thought of. Canada is not Russia; neither have Canadians sank to the level of Helots.

But if confiscation is impracticable, we may ask if it is not possible to adopt as an alternative the taxing of the idle lands, now held out of cultivation for speculative purposes, into productive use. There is a difference of opinion as to the advisability of this method also. It is held(a) that unless such

(a) Monetary Times, Dec. 13, 1918, pp. 5-7. Article by Prof. Swanson entitled "Much land still remains".

a tax is made heavy enough to confiscate for the use of the state the entire surplus of value, it will be ineffective; and further, that if the entire product of land in the value sense, whether that land is productively employed or not, is eppropriated by the State, the right of private ownership - although not of possession - becomes worthless and that taxation driven to such extreme limits is virtually equivalent to confiscation. On the othchand, if instead of taking the entire economic rent of land, a relatively heavier tax is laid upon land than upon other property in the attempt to drive it into productive use, a great social transformation may be effected. The general property tax virtually becomes a land tax, since land connot be concealed, while intangible wealth in the shape of stocks and bonds can be hidden away. The result might be that the burden might prove too great for the farming community. The farmer might learn to #skin" the land denude it of its fertility, neglect its upkeep, and withdraw his capital to where it would secure more profitable returns. There being less land in cultivation, the prices of farm products would rise. This would merely mean, in the long run, that the heavy tax upon land would be finally shifted to the consumer. Land can carry its fair share of taxation but not the entire burden, so that to levy a heavy tax upon land in the attempt to break up large holdings, might not produce the exact results expected. However, as we saw in our examination of British Columbia, a considerable degree of suc-

cess has already been achieved by following such a method.

A third plan would be for the Government to buy blocks of land at once to get rid of the private ownership altogether. This would involve an enormous cash outlay at a time when demands for strict economy are reaching the Government from all sides. This plan is out of the question.

Still another plan would involve cooperation between the Government and those whoalready own idle lands. The Government could say to every land owner whether resident in this or in a foreign country. "We will adopt this policy, - if you will put a bona fide settler on your land selling it to him at your current price and after three or four years you have demonstrated his ability as a successful settler and he has paid 25% of the price of the land, we will them cash out your land contract and write another contract with this ettler, giving him 20 years to pay the balance of the purchase price."(a) By such a method an inducement would be given to the owner of the land to get a settler on his property by offering to make it a cash sale as soon as he had shown the success of the settler; not only so, but the owner of the land or colonization concern could take the money so realized and could reinvest it to a large extent in bringing more people to settle on the rest of their land. The Government, moreover, would have the very best possible security against loss and the interest of the original owner of the land would cause him to be careful in

(a) Lengthy article by Wm. Pearson in Monetary Times, Apr. 18, 1919.

choosing settlers. This looks to us like a good plan, but whether it could be worked out in practice is by no means certain. The Government would still be heavily involved financially; the entire problem would be closely connected with the administration, and the latter would, therefore, have to encounter the great uncertainties of making collection for lands sold by it. The feature which most appeals to us is the fact that the Government and the present land owners would divide the responsibility. If the owners cannot or will not solve the problem satisfactorily, and if the Government acting alone can hope for little success, possible the introduction of an element of cooperation as above suggested will promise better results.

But whatever may be done in the matter of dealing with land already alienated from the Crown, there should surely be a good opportunity for the Government to profit from experience in the disposal of land still in its possession. To confiscate alienated land may be equal to making a land contract a "scrap of paper" and may not be in keeping wih established principles of social justice. But nothing of that nature can be said if the Government chooses to alter the terms of its future land contracts. No such contract should confer on the land purchaser to right to use his property to the injury of his fellows. Life is higher and more valuable under the law than real property, even though the courts have not always held it so, and land-holding should not be permitted in such a way as to injure

life. Nor should it be permitted to be held except for productive use. Bad ownership of land should be dealt with by direct prevention or punishment. And as it is generally admitted that the holding of land in an idle state is improper ownership, it should be prevented if possible. As prevention is customarily better than cure, we think it would have been a good thing if by some means large holdings of land by speculators might have been prevented. But as past policies cannot be retraced, we must confine such preventive measures to future land holdings. How should the holding of land in an idle state be prevented? Placing an extra tax on such land is not entirely satisfacty. For the Government to collect a tax on bad use of land or non-use of land is to make it a partner in the impropriety of the owner; and when the tax becomes a sufficient burden to really punish the owners, it is often uncollectable. The first step required is for the Governments themselves, in their capacity of owbers and developers ofland, to set a good example by eliminating from their policies and administrative machinery every thing that encourages speculation. The present methods of land settlement and transfer still give great encouragement to speculation. It should be made illegal in future for any person to acquire a title to land except for use. This would merely be extending the principle at present in force in connection with homesteading to all land transactions. The effect of such a law would be to eliminate much of the competition which now raises the value of land against the bona fide user. If land could be

bought only for use this would limit the holdings of such operators and all other speculators to what they needed for u use. And why not? The land was originally alienated from the Government at a nominal price or for nothing - under a contract (specific or implied) that it would be used.

When the Government through their colonization departments, have adopted a proper method of land settlement and show a good example to private owners, and when they have passed such legislation as is suggested above, to prevent the acquisition of land except for purposes of use, there will still remain the big problem to settle of how to deal with existing owners of unused and badly used lands. It is possible that such lands could be dealt with as follows: The law having first provided that the purchaser of land must have some object of use, then existing owners of idle lands should receive notice to sell all such lands within a period of 5 or 10 years or to show cause why they should not sell it or themselves put it to economic use. By selling it in the open market they would receive for the land its full value as a usable article It is true that the price of land would fall- but only from its fictitious speculative value to its usable or revenue-producing value. When land has reached its revenue-producing value for a proper and healthy purpose, it will attract more capital than at present; it will make it certain that the land will be used to the best purpose; and industry and production will no longer be burdened with the losses due to excessive

speculation. High land values do not constitute wealth, but on the contrary are a tax on wealth.

In the matter of money loans for land purchasing as for other agricultural purposes, we are of the opinion that the whole sale advancing of mortgage loans is entirely derogatory to the interests of Canadian farmers at the present stage. What is more needed is that the farmer should be thoroughly and gradually educated in the proper use of credit. He should be shown the great difference between productive and non-productive uses of credit and shown also that the advancement of credit is wise or unwise according as the person receiving it understands how to apply it properly in his business. Apart from this educative need which we believe is most important and which has been neglected in the past, Canadian farmers to-day need to practice habits of thrift and industry. Essential industry always has to work on close margins. To get profit out of agriculture, fishing, mining, or other basic enterprise, reasonable costs, energetic labor and lightness of taxation are indispensable. War inflation was an enemy of indutries in whih prices could not be advanced in sympathy with the general trend, and high costs now are an impediment in the way of readjustment to prosperous activity. The people of Canada need to return to the steady-going industrious and frugal life of pre-war days and undertake with vigor the development of our wealth along the line of our rich basic natural resources. The regeneration of society begins with the regeneration of the individual, and instead of looking to Ottawa for everything, the local commu-

nities ought to rely on their own initiative and enterprise. It is the writer's opinion that too much paternalism is tending and must tend to sap the life-blood of the country. The present day tendency to seek help from the Governments in matters which are clearly our own concern is being carried to harmful lengths. We are in grave danger of losing something of that native initiative and practical ability which was characteristic of the men who laid down the foundations of the country.

As far as the actual advancement of credit for land purchasing or other purposes is concerned, we do not deny that much of this credit can be safely granted. But we must not forget that the sources of capital - which in the final analysis is not money, but the surplus of production over consumption - must come from the savings of Canadian individuals and corporations cognizant of the possibilities of the rural parts of our country and whether these savings are derived ultimately from banks, farm loan boards, mortgage companies or any other form of business organization, the extension of credit will have to be founded upon the probable productiveness of the Canadian farmers, and not, as in the past, upon a hit-and-miss rule of granting credit to anyone who desired it. The former is the only safe way of rural development - slow, perhaps, but sure.

.....

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I. Government documents:-

(a) Dominion and Provincial Statutes from 1870-1924.

(b) Sessional papers of British Columbia, Saskatchewan, and Ontario from 1914-1922.

(c) Annual reports of Provincial Farm Loan Boards.

(d) Reports of Dominion Soldier Settlement Board.

(e) House of Commons debates, 1917-1922 inclusive for information on Soldier Settlement Scheme.

(f) Report of Special Committee on Agricultural Conditions appointed by the Dominion Government in 1923.

(g) Report of Commission appointed in 1920 by the Ontario Government to investigate rural credits.

II. Other Publications:-

(a) Monetary Times, 1890-1924, particularly from 1912 to 1924, inclusive.

(b) Financial Post, 1890-1924, particularly from 1912-1924, inclusive.

(c) Farmers'Advocate, 1910-1924, inclusive.

(d) Farm & Dairy, 1910-1924, inclusive.

(e) Mead: "Helping Men Own Farms".

III. Private correspondence and interviews with Government Department officials and officials of business corporations.

APPENDIX

REPORT OF FARM SETTLEMENT BOARD

of

NEW BRUNSWICK, 1923.

FARMS ON HAND

PURCHASED AND NOT YET SOLD

as at October 31st, 1923.

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1913

April 23	Jerome Arsenault, Harcourt, Kent Co.,	Lot #11	$ 100.00
April 23	Jerome Arsenault, Harcourt, Kent Co.,	Lot #12	75.00
April 23	Jerome Arsenault, Harcourt, Kent Co.,	Lot #14	200.00
April 23	Jerome Arsenault, Harcourt, Kent Co.,	Lot #10	100.00

1921

Dec. 24	Elsie T. Farris, Cambridge, Queens Co.,	1000.00
		$1475.00

.....

REPOSSESSED AND NOW ON HAND

			Original price.	Bal. due.
George J. Gibbons,	Corn Hill,	King's Co.	600.00	469.10
W. E. Blakely,	Painsac	Westmoreland	600.00	405.00
H. Levesque,	Dundee	Restigouche	400.00	275.00
H. G. Marsh,	Springfield	King's Co.	1300.00	975.00
Andrew Wilson,	Chester	Albert Co.	400.00	150.00
				2274.10

FARM ACCOUNT - OCT. 31st. 1923

Purchased during 1923.

From	To	Acres		
Earl Wood & A. Smith	Claude Ward, Gloucester	100	& Bldgs	1,500
Ira T. Corey,	Everett Kinney, Carl.	200	"	1,000
Lawrence Tracey	John Wozell, Restigouche	100	"	800
L. A. Mann	Wm. Trainor, Charlotte	100	"	1,000
John Audette	C. Arsenault, North	100	"	800
Arnold Jensen,	S. Christian, Vic.(Lot #	200	"	300
J. C. McAllister	G. Tuddenham, Char.	122	"	1,800
John N. Rogers	Stan. Woodworth, Albert	30	"	1,200
Arthur E. Avery	A. King Avery, Carleton	200	"	2,000
R. T. Gillies	Mas. H. Pentland, Glouc.	100	"	1,400
				11,800.

RECAPITULATION

Balance of farm accounts - Oct. 31st,1922			80,439.55
Add farms purchased as above			11,800.00
Jas Gardiner Farm, North'd, resold at incr. of		$311.26	
Mathias Casey " Kent, " " "		26.00	
H. O. Jones, " King's " " "		162.50	
		$499.76	
D. Manahan " St. John, old bal. written off		73.95	425.81
			92,665.36
Less cash rec'd on account of farms during 1923			18,513.15
Net balance, or Capital asset			74,152.21

As shown by:

Farms purchased and not yet sold	$ 1475.00	
Farms repossessed and now on hand	2274.10	
Balances due on farms, per list	70403.11	
		74,152.21

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FARM SETTLEMENT BOARD

Revenue in 1923.

Interest on unpaid balances, cash,			$3,874.15
Interest on monthly bank balances,			3,650.60
Receipts for rent, hay, etc.			89.30
			$7,614.05
Jas. Gardner (North'd) sold at advance		$311.26	
Less taxes paid Refunded to widow	$7.00		
	269.72	276.72	34.54
Mathias Casey (Kent) sold at advance			26.00
H. O. Jones (King's) sold at advance		162.50	
Less Ins. and taxes paid		23.00	139.50
This increase in resale practically represents back interest on repossessed farms			204.04
			$7,814.09
Less D. Monahan (St. John) old balance written off		73.95	
Sundry expenses as shown by cash state.		259.74	333.69
Net revenue in 1923			$7,480.40

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FARM SETTLEMENT BOARD

ASSETS

as at October 31st, 1923.

Investments in farm lands:			
Balance owing on farms sold	$70,403.11		
Interest due thereon	3,935.04	$74,338.15	
Farms repossessed and on hand		2,274.10	
Farms bought and not yet sold		1,475.00	$78,087.25
Cash in bank			130,614.34
Insurance and taxes advanced			226.24
			$208,927.83
Proceeds of bonds issued by the Province of New Brunswick under authority of an Act to encourage the settlement of farm lands 2, Geo. V, Ch. 28 and 4, Geo. V, Ch. 43			$150,000.00
Surplus arising from interest on funds invested rentals on farm lands, Hay sold, etc.			
Balance October 31, 1922,		$47,512.39	
Revenue for year ending Oct. 31,1923		7,480.40	
Plus interest due (as above)		3,935.04	58,927.83
			$208,927.83

.....

FARM SETTLEMENT BOARD

Cash Account -- October 31st. 1923

RECEIPTS

By balance at credit October 31, 1922	$116,854.60	
Instalments on farms during 1923	19,512.15	
Interest on unpaid balances	3,875.15	
Bank interest on monthly balances	3,650.60	
Rent, W. Barnes Farm (King's)	24.30	
Rent, C. I. Cain's farm, Kings,	50.00	
For hay, E. Farris Farm (Queen's)	15.00	
On acct. Insurance & Taxes advances	110.00	
		143091.80

EXPENDITURES

Paid for ten farms	11,800.00	
Refunded to Minnie D. Gardner	269.72	
Ins. and taxes advanced in 1923	148.00	
T. A. Wilson - Triplicate receipt forms	23.50	
Mail Printing Co. 500 booklets	49.50	
Postage & Office supplies	20.64	
Wm. Kerr - time and expenses	79.40	
F. E. Sharp - personal expenses	48.70	
F. E. Sharp, acknowledgements	38.00	
	$12,477.46	
Balance at Credit now (Oct. 31, 1923)	130,614.34	
		143091.80

FARM SETTLEMENT BOARD

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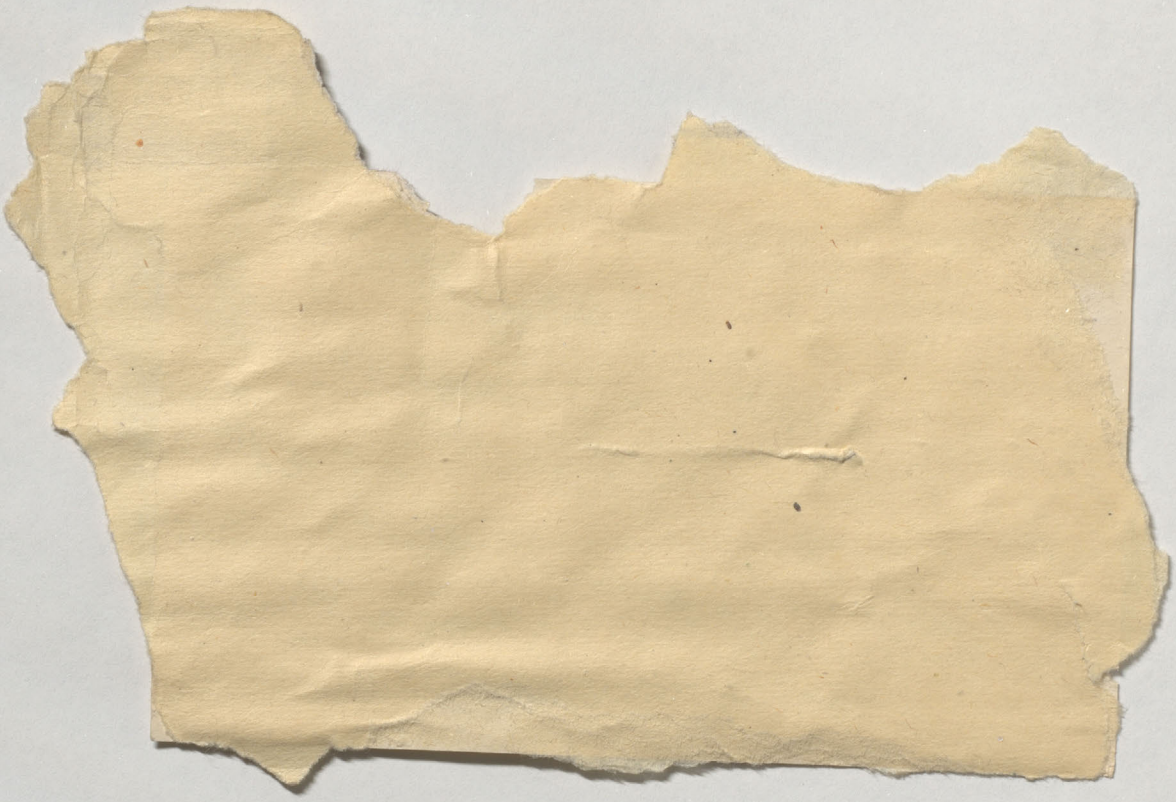

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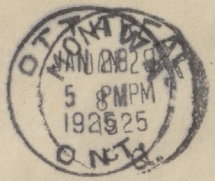
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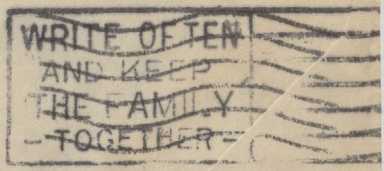
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GERHARD R. LOMER, M.A., PH.D.,
LIBRARIAN

January 27, 1925.

H. P. Desjardins, Esq.,
136 Nepean Street,
Ottawa, Canada.

Dear Sir,

In answer to your recent letter I beg to inform you that the Library does not wish to purchase W. M. Drummond's "Financing of Land Purchase in Canada." This is being returned to you to-day under separate cover.

Faithfully yours,

G. R. Lomer.

University Librarian.

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