

APPENDIX No. 31.

OFFICIAL SYNOPSIS OF THE REPORT OF THE AGRICULTURAL
CREDIT COMMISSION OF THE PROVINCE OF
SASKATCHEWAN, 1913.

The report is a unanimous one, being signed by the three commissioners, J. H. Haslam, Chas. A. Dunning, and Dr. E. H. Oliver. It comprises 386 pages of type-written matter and several appendices. Printed copies of the full report will be available in a few weeks' time and may be had free of charge upon request addressed to the Department of Agriculture, Regina.

Following a copy of the Royal Commission come the acknowledgments of the commissioners to the persons and organizations that have assisted it in its labours.

INTRODUCTION.

An introduction sets forth the fact that "cheap money" so-called forms only one phase of the whole great problem of reordering rural life which European countries have so successfully accomplished through the medium of agricultural co-operation. It is pointed out that there, as with us, agriculture was the last industry to become organized and that the rural rebirth of Europe, carrying with it better and cheaper agricultural credit, dates from the organization of the farmers along co-operative lines. Through organization their agriculture has been profoundly affected on three sides, viz., as an industry, as a business and as a life. And the problem is no less broad in Saskatchewan. In the words of Sir Horace Plunkett, the apostle of rural Ireland, "Into the industry you must introduce the teachings of modern science, as it has been introduced into every other important industry. Into the business must be imported methods of combination, simply because, under modern business conditions, transactions must be on a large scale to be economical. The life of the rural community must also be modernized by making it physically more comfortable, mentally more satisfying and socially more enjoyable." Out of this grows a slogan for Saskatchewan farmers: "Better farming, better business, better living."

The legitimate place of credit facilities in agriculture is also pointed out in the introduction.

After outlining the procedure followed by the Commission in its inquiry, the report proceeds to a consideration of agricultural credit as it exists at the present time. Respecting mortgage credit this conclusion is reached: There is great need of cheaper credit, based on sound security spread over a considerable term of years, applied to assist mixed farming and to improve the lot of the average farmer on a half section. The Commission concludes from the evidence it received that four-fifths of the patented farms of the province are mortgaged and at a rate of interest on the average in excess of 8 per cent. The rate of interest, too, tends to increase rather than to decrease. Owing to the smallness of the annual payments of principal required and the general lack of insistence upon the payment even of these, there is found to exist in Saskatchewan under the guise of short term mortgages, a system in reality of long term loans on mortgage.

After analyzing a great deal of information relating to mortgages prepared for it in the offices of the registrars of the Supreme Court and of Land Titles throughout the province, the Commission summarizes the data submitted in these words:

SUMMARY OF MORTGAGE INFORMATION.

During the period of fifteen months ended August 15, 1913, there were no less than 1,723 sale and mortgage proceedings under mortgage in this province. It should be pointed out that the returns given above are not quite complete. Probably not less than 2 per cent of the farmers of Saskatchewan were subjected to these proceedings under the conditions that obtained in this period. Of the mortgages in connection with these proceedings 150, or 8.7 per cent, bore an interest rate less than 8 per cent. But 435, or over 25 per cent, bore an interest rate higher than 8 per cent; 261, or over 15 per cent, a rate of 10 per cent or higher; 35 a rate of 12 per cent or higher; and 3 a rate of 15 per cent. And these mortgages were placed at these rates before the present upward trend in interest rates occurred.

BUSINESS HABITS OF THE FARMER.

The business habits of the farmer come in for some comment. It is made clear that the unavoidable uncertainties of farming and marketing frequently render prompt payment difficult if not impossible, but it is also stated that when delays do occur, many farmers fail to notify the company. The conclusion reached is that interest payments are usually met the year they fall due, payments on principal are seldom pressed for, and renewal of the mortgage is made easy.

LONG TERM MORTGAGES.

"In fact the present system of payments seems designed to render renewal necessary and debt perpetual. With the final payment so large the borrower can seldom meet it out of the current year's income. The mortgage is not only renewed; the amount of the loan is very frequently increased.

"These features of our mortgage system are reprehensible. The mortgage is not calculated to develop business habits nor promptness. It is a document that places the farmer, from the beginning, in an impossible situation. It holds out to him the prospect of confronting a payment which he can never hope to meet. Under the guise of a short term mortgage there actually exists a system of long term mortgages, but with this difference, that the farmer is compelled to renew every five years or lose his farm should he fail to meet the mortgage. The system of long term mortgages with repayment on the amortisation plan encourages promptness and does away with that spectre of the final payment which, like the sword of Damocles, hangs suspended over the farmer."

It is pointed out that the mortgages are numerous rather than heavy.

WHY LOANS ARE SECURED.

The purposes for which loans on mortgage are granted may be enumerated:

1. To consolidate past debts.
2. For machinery. In this matter there has been considerable overstocking, due, as one farmer stated, to the "science of salesmanship."
3. For stock.
4. For building and general equipment.
5. To provide working capital.
6. To buy more land.
7. To "finance trips East" or similar purposes.

GRAIN GROWERS ASSOCIATION ON LEGITIMATE USE OF LOANS.

A representative of the West Eagle Hills Grain Growers' Association placed before the commission the following statement of the legitimate uses to which long term mortgage credit might be put:—

"The purchase of stock of all kinds necessary for scientific and correct farming, together with adequate stable accommodation for the same; the digging or drilling of wells to secure a sufficient water supply, together with an equipment necessary, such as small gasoline engine and pump jack for pumping water where a large supply is necessary or a well is unusually deep; fencing for pasturage or corral; the purchase of seed grains that are of an earlier or more productive variety; to redeem notes of the large machinery companies that are harassing farmers so relentlessly at the present time; or for any other addition to the foregoing that would tend to save labour and put the keeping and raising of stock and the production of grain upon more sound, satisfactory and scientific basis. It should be assumed that mortgages under this head should be limited to farms of one-half section in extent, which should have been resided upon and worked continuously during three years previous to the application for mortgage."

THE PROVINCE AND THE BANKS.

Regarding personal credit, as distinct from mortgage credit, and which is furnished principally by merchants, dealers and banks, the report says in part:

In appreciating the banking situation in this province it is fair to consider not only the complaints against the banks, but, as well, the services which they have rendered:

1. Services rendered by the banks:

(a) Until recently they have in general afforded an abundance of credit;

(b) They have pushed out into the smaller places and granted credit facilities when the amount of business to be secured immediately did not yield a profit;

(c) They have exerted an educative influence upon the business habits of the community and inculcated the virtue of promptness.

2. Complaints against the banks:

(a) They have frequently sought to dominate the policy of those businesses to which they have advanced credit;

(b) They have sought rather to pay dividends and to support expensive edifices than to afford credit to customers at reasonable rates;

(c) They are not controlled within the province and in a time of stress when credit facilities are most required, the banks withdraw them from the western provinces;

(d) Their charges for transferring funds are unreasonably high;

(e) The rate of interest on loans is unnecessarily large;

(f) The interest allowed on deposits is too low;

(g) Their sympathies lie rather with the commercial than with the agricultural class.

The difficulty of securing bank credit in 1913 as compared with other years and rates of interest are then discussed. The practices of charging a minimum rate of \$1 on small loans, of deducting the interest from the loan when made and of charging interest for days of grace when the loan is repaid previously, come in for consideration and some criticism.

INDEBTEDNESS OF SASKATCHEWAN FARMERS.

It is well nigh impossible to estimate with any degree of accuracy the amount of the indebtedness of the farmers of this province. The Commission gave every facility to implement companies, loan companies and banks doing business within the province to make an analysis of the credit extended to the farmers and of their loans and deposits.

WHAT FARMERS OWE.

There is no doubt that the largest factor in the indebtedness of Saskatchewan farmers is the amount which is due to mortgage companies. A conservative estimate would place this in the neighbourhood of \$65,000,000. For the next largest amount implement companies are responsible. We are certain from evidence submitted confidentially to the commission by only a limited number of branch offices that the total indebtedness of farmers to merely six branch offices is \$15,106,726.68. It is not improbable that at present between \$35,000,000 and \$40,000,000 is outstanding for machinery. The amount owing on agreements of sale for land is very considerable. To one company the farmers of this province owe \$5,770,000 and to another \$3,622,920.45. The amount due for pre-emptions, for horses, for store credit, lumber, bank credit and for miscellaneous debts, together with that due for the purchase of land is not less than \$50,000,000. The farmers of Saskatchewan are paying interest on at least \$150,000,000. If this is the case then their agricultural credit is costing them \$12,000,000 annually. The saving of only 1 per cent in interest would mean the saving to the farming industry of over \$1,500,000 per year. If farmers could secure money at a rate as much as 2 per cent cheaper than at present they could, by making their payments on the amortisation plan, discharge their total indebtedness in about 24 years' time by simply continuing to pay what they are now paying for interest. And this would be abundantly worth while.

THE DEBT PER ACRE.

From the above estimate it can be clearly perceived that the average indebtedness of our farmers is, perhaps, \$1,500. The average farm of the province consists of about 295 acres. Thus the indebtedness of the farmers is slightly in excess of five dollars per acre of land under occupation at the present time. The average farm has gathered about it assets in the shape of buildings, stock, implements and grain. When we remember that the province is in its infancy, that many of our people came here with no other resources than resourcefulness, strong determinations and the willingness to work, and that they have met with energy and courage the problem of planting a home in a new land, we can have no doubt that our farmers are solvent, that their assets compare favourably with their liabilities. But the thoughtful citizen will, nevertheless, regard the present situation as calling for serious attention.

It is impossible in this synopsis to give any account of the methods which the commission found in existence elsewhere for facilitating agricultural credit. Under this heading all of the institutions for this purpose found in Germany, Italy, Hungary, Austria, Denmark, France, Great Britain and Ireland are described and discussed, and those existing in India, New Zealand and Australia, which could not be visited by the Commission are also dealt with.

The observations of the Commission from investigations in Europe are stated as follows:—

GENERAL OBSERVATIONS FROM INVESTIGATIONS IN EUROPE.

1. There is in all European countries a frank and universal recognition of the supreme importance of agriculture as an industry, as shown by:

- (a) Government co-operation in:
 1. Education;
 2. Facilitating credit;
 3. Promoting co-operative institutions for production and distribution of products;
 4. Supervision of processes;
 5. Application of scientific knowledge.

- (b) Sympathetic attitude of urban communities toward agriculture.
- (c) Active preparation in agricultural affairs on the part of public spirited citizens and national leaders.

2. Co-operation in everything that affects agriculture has advanced beyond the theoretical into the practical stage.

BENEFITS OF CO-OPERATION.

3. Co-operation has conferred enormous benefits upon the rural communities of Europe by:

- (a) Stimulating production;
- (b) Increasing the area under production;
- (c) Improving the price of products;
- (d) Opening up markets;
- (e) Cheapening the cost of farm necessities;
- (f) Reducing the expenses of transportation;
- (g) Finishing the products of the soil on the farm;
- (h) Use of live stock in the utilisation of roughages of the farm and the return to the soil of natural manures;
- (i) Putting farming on a business basis:
 - (1) By providing credit;
 - (2) By systematising business organisation;
- (j) Stimulating scientific agriculture;
- (k) Preventing frauds and deceptions in the purchase of raw materials;
- (l) Improving breeds of animals and plants;
 - (1) By community breeding and cow testing associations;
 - (2) Seed selection and distribution.

4. By organisation farmers have been able to provide a security which has attracted loans at favourable rates.

5. Agricultural security has been based upon:

- (a) Mortgage upon the amortisation scheme covering a considerable period of time and at reasonable rates;
- (b) Personal credit associated with
 - (1) Collateral;
 - (2) Indorsements.

6. By attracting local deposits to co-operative credit associations the resources of local communities have been made available in the first instance for local purposes.

7. The securities based upon land credit have been in the main less susceptible to the fluctuations of the money market than other securities.

8. Though in various places the nominal rate of interest is as low as 3 per cent, 3½ per cent and 4 per cent, yet the market value of bonds is such that the present borrower is forced to pay an actual rate considerably in excess of this.

9. A system of registration of Land Titles similar to the Torrens System is of basic importance in securing agricultural credit.

10. Every effort is made to dispose of the bonds locally.

11. The face value of the bonds outstanding in no case exceeds the net value of the mortgages held and frequently withdrawal rights are inserted in the bonds.

AUSTRALIA.

The Government Agricultural Banks of Australia, patterned largely after some European models, are described in a chapter, of which the opening paragraphs are as follows:—

“Agricultural banks, established, owned and operated by governments are found to-day in various quarters of the world. It cannot be denied that they have rendered

substantial service to the rural population of New Zealand and Australia. It is as yet too early to estimate the usefulness of the one recently established in the Philippine islands.

"The Agricultural Banks of Western Australia, Queensland and Tasmania, the Government Savings Bank of New South Wales, the State Savings Bank of Victoria, the State Bank of South Australia and the State-Guaranteed Advances of New Zealand conform somewhat closely to one common type. The deviations are due in a large measure to differences in the wealth of the various communities and in the character of the land system. In each case an advance fund is raised by the issue of mortgage bonds or debentures guaranteed by the government and the administration of this fund devolves upon a small central board. The purposes for which advances are made are similar, though not identical. The security demanded is of the highest character, generally a first mortgage. In no instance is more than two-thirds or three-fifths of the value of the property offered as security granted, except only in the case of South Australia, where a special advance may be made when the land is under cultivation as a vineyard or an orchard. Provision is usually made for the proper expenditure of advances. When they are not applied for the purpose for which they have been granted, or are expended in a careless or extravagant manner, the central board is authorized to refuse to pay further instalments of proposed advances and to call in the whole amount already advanced. The repayments cover a considerable term of years, as great as 36½ years in New Zealand and 42 years in South Australia and are made by equal half-yearly instalments to cover principal and an interest rate of about 5 per cent. Unpaid instalments and other moneys due under the mortgage may be recovered in a court of competent jurisdiction. The borrower is entitled to repay the balance or any portion of the principal money with accrued interest on any day appointed for a half-yearly payment."

CHAPTER VII.—SUMMARY.

There seem to be three ways of establishing agricultural credit in the province upon a basis to provide money at a reasonable rate:

- (a) *Strictly co-operative*, that is to say, a Co-operative, Credit Three methods. Association based upon:
1. Unlimited liability; or
 2. Liability limited to a certain multiple of the share capital or certain percentage in excess of the obligations incurred.
- (b) *Strictly Governmental*, that is to say, a provincial bank with land mortgage features or a provincial mortgage institution with banking features.
- (c) *Co-operative Credit Association* with an initial government guarantee adequate, and a supervision sufficient, to establish, within a term of years, the independent credit of the association.

In case any one of the three suggested plans were adopted the Commission is of the opinion that three principles should be laid down:

1. Loans should be provided to farmers only upon unquestioned security and for approved agricultural productive or improvement purposes only.
2. Provision should be made for repayment upon the amortisation plan.
3. The aim should be to render a service to the borrower, and not to secure profit to the institution.

WHAT IS INVOLVED IN EACH SCHEME.

In case the strictly co-operative credit association were established, this would necessitate: (a) Strictly co-operative.

- (a) A series of local associations composed of individuals grouped together on the principle of unlimited, multiple or additional liability.
- (b) A federation of these local associations into a central organization to serve as a clearing house for the locals, a supervisory body and representative to the outside world.
- (c) The raising of money by:
 1. Mortgage bonds to be sold upon their own merits in the open markets of the world.
 2. Deposits from members and non-members;
 3. Share capital or fees from members.

In case a strictly governmental scheme were established this would necessitate:— (b) Strictly governmental.

- (a) A central bank or mortgage institution.
- (b) Local branches established and controlled by the central.

- (c) The raising of money by—
1. Foundation capital provided by the government;
 2. Issue of mortgage bonds guaranteed by the government;
 3. Deposits by:
 - (a) Government;
 - (b) Citizens.

(c) Co-operative and governmental.

In case a co-operative credit association with at least an initial government guarantee and supervision were established, this would necessitate:—

- (a) A central commission for organization and management:
1. In the first instance to be appointed by the government;
 2. To be replaced gradually and ultimately by representatives of local associations.
- (b) Local associations established on the principle of collective liability;
1. Directly by central commission;
 2. On local initiative, but with supervision and consent of central commission.
- (c) The raising of money by—
1. Bonds guaranteed by the government to be covered by the first loans issued on mortgages;
 2. Further issues of mortgage bonds guaranteed by the government till the credit of the association is established;
 3. Deposits.

ADVANTAGES AND DISADVANTAGES.

(a) Strictly co-operative.

The *advantages* of the strictly co-operative credit association are:—

- (a) Self-government.
- (b) It would not impair the credit of the provincial government.
- (c) It would be absolutely free to promote other co-operative activities.

The *disadvantages* of the strictly co-operative credit association are:—

- (a) The difficulty of securing local organizations of sufficient size and number in our as yet sparsely settled province to establish the project upon an independent footing.
- (b) The time required:
 1. To perfect the organization.
 2. To secure funds to provide any considerable relief.
- (c) The difficulty of securing such a recognition in the markets of the world as would secure funds at a reasonable rate.

(b) Strictly governmental.

The *advantages* of a strictly governmental scheme are:—

- (a) Its recognition in money markets both at home and abroad should be instant.
- (b) It could be launched on an adequate scale without unnecessary delay.
- (c) It would give unquestioned security to attract deposits.

- (d) It would supplement the present banking machinery of the province by the addition of banks which possessed primarily provincial sympathies.

The *disadvantages* of a strictly governmental scheme are:—

- (a) The possibility of partisan political interference.
 (b) The continuous impairment of the credit of the provincial government.
 (c) It would fail to foster co-operative action between farmers.

The *advantages* of a co-operative credit association with at least an initial governmental guarantee and supervision are:—

- (a) Its recognition in money markets both at home and abroad should be instant.
 (b) It would be launched on an adequate scale without unnecessary delay.
 (c) It would give unquestioned security to attract deposits;
 (d) It would supplement the present banking machinery of the province by the addition of banks which possessed primarily provincial sympathies.
 (e) It would stimulate the spirit of co-operation among farmers.

(c) Co-operative and governmental.

The *disadvantages* are:—

- (a) The possibility of partisan political interference in the early years of the association.
 (b) The impairment of the credit of the Provincial Government to a limited degree and for a limited time.

Investigations both at home and abroad have convinced the Commission that a strictly independent co-operative credit association is not under present conditions feasible. The other two schemes both involve the necessity for the present at least:—

- (1) Of securing far the larger portion of the money required from sources outside the province;
 (2) Of active co-operation on the part of the government of the province.

This province needs both a mortgage business and a banking business closely and intimately associated with the interests of its people. The issue of mortgage bonds and the loaning of money on mortgages, i.e., a mortgage business, is a distinct type of business from the receiving of deposits and making short time loans, i.e. a banking business. But if the machinery of the mortgage business should be distinct and separate from that of the banking business, the general policy of both should be the same, to promote the interests of the borrower. In Germany the *Landschaften* have overcome this difficulty by establishing as a daughter but separate institution a bank to transact the banking business for the *Landschaften*, to receive deposits and to advance short time loans. The directors are the same, the general policy identical, but the machinery has in each case been adapted to the needs of the different types of business. The difficulty, however, of launching two projects successfully at one and the same time, helpful and necessary as they may be, makes it advisable to establish the bank *after* the mortgage institution.

Linking personal and mortgage credit.

Provincial assistance required.

At present provincial assistance would appear indispensable, if service is to be promptly or adequately rendered. The task of inaugurating the whole scheme rightly devolves upon the provincial government. It should be prepared:—

1. To pay expenses of organization.
2. To provide certain guarantees for the mortgage association.
3. To render assistance in the establishment of the bank at a later date.

CHAPTER VIII.—EXISTING ECONOMIC CONDITIONS IN SASKATCHEWAN.

The situation in Saskatchewan merits the most serious consideration. The conditions of our economic life, and particularly of our agricultural economic life, cannot longer pass unchallenged. In a large measure the springs of our material progress must arise within the borders of our own province. Hitherto our fortunes have depended too largely upon outsiders, who, naturally enough, have had their own interests to serve. It is eight years since we became a province and in that time we have accomplished much. We have laid the foundation of many provincial institutions. But much remains. We must at all hazards beget a provincial consciousness. We must promote the cohesiveness of rural life in our midst. We must in greater measure become masters of our fate and authors of our own policies. To accomplish this we need to co-operate and to apply ourselves to that type of agriculture where co-operation counts most. More diversified farming and better organization for purchasing and distributing will lead us far towards the solution we are seeking. To continue selling grain in the lowest market and buying supplies in the highest is only fatal. If the farmers unite, they can accomplish in other spheres what they have achieved in the elevator business—they can to a larger extent regulate the conditions of their own industry; and the result will not be simply economic. The benefits will extend to every department of our moral, social and political life.

What Saskatchewan needs.

Up to the present wheat has been our chief product; and wheat is a world product, with the price fixed at Liverpool, where world forces operate. Every charge against this wheat from local shipping points to Liverpool, or whatever may be its ultimate destination, is not only subtracted from the farmer's income, but is levied at points and under conditions over which, except for the operations of the farmers' co-operative companies, the farmer has absolutely no control.

Our dependance on transportation.

Our geographical situation places Saskatchewan farmers at the mercy of those who profit by transporting the wheat the farmers have laboured to produce. We live in the heart of a great continent, far from water transportation, so far, in fact, that our competitors in world markets have, without exception, a natural physical advantage which yields them a cash advantage per bushel of from 5 to 8 cents. It is not denied that we owe much, perhaps everything, to the building of railways. It is only contended that the cost of transportation adds enormously to the burdens that the farmers on the prairies must under present conditions bear.

It is not our intention in this connection to examine the merits and defects of the Dominion tariff policy nor to investigate its suitability to the country as a whole. It is not even urged that a policy which is Dominion wide in its scope could possess the merit of special adaptation to the particular needs of this province. At present only one point is insisted upon—that tariff, as an actual fact, takes slight account of western agriculture; and the tariff will continue to impose its load upon the farmers, not because they desire it, but because our fortunes are determined by those who live outside our borders.

Our relation to the tariff.

What is true of transportation and the tariff is true as well of manufacturing, finance and banking. It is with the latter that we are at present concerned. With the exception of two or three financial institutions only recently established, and as yet too small to constitute an important exception, we have no financial institutions of our own. We do not furnish directors to the banks that operate in our midst. It is not in this connection alleged that the banks and loan companies have failed to provide credit facilities. It is not even suggested that they have encouraged speculation by a too indiscriminate granting of credit. It is only contended that we have had to depend upon the wisdom and sympathy of Winnipeg, Toronto and Montreal. The time may be far distant when this province will be independent of outside sources of supply for the funds necessary for its development and growth; but the time is already at hand to develop financial institutions with local provincial sympathies. We desire to supplement, not supplant, that which exists; for it is easy in a time of stress for the Corinthian columns of the metropolis to shut out from view the rude shacks of the prairie farmer.

Our credit institutions controlled from without.

We have no need at this time to examine the whole economic environment of Saskatchewan agriculture. Still it has not escaped us that in the solution of particular problems the task which confronts us is at once larger and more complex than appears at first blush. In their essence the problems of our rural life are intimately interrelated. No solution can come to the question of agricultural credits which has not, at the same time, arisen out of a serious study of general, and more particularly of market problems. For this reason it is important to point out that the Commission on Agricultural Credit was associated with that on Grain Markets, and that in the various centres of the province the general problems of grain growing, mixed farming and marketing were investigated at the same time as the question of Agricultural Credit.

Relation of inquiry to that on grain markets.

Before endeavouring to indicate what may be at least a partial solution to the economic difficulties that confront our rural population, it will be helpful briefly to enumerate the more pressing among them:

Economic problems.

1. The dependence of our economic life upon outsiders.
2. Our location in relation to the export market for our principal farm products.
3. The lack of cohesiveness in our rural life.
4. The primitiveness of market arrangements for products other than grain and dairy products.
5. The absence of concerted action in the sale of products other than these.

BOARD OF INQUIRY INTO

6. The lack of even collective action in the purchase of farm supplies.
7. Too exclusive devotion to grain growing.
8. A tendency towards extravagance, especially in the purchase of implements, land and expensive sources of power.
9. Relatively high rates of interest and short terms for mortgage and personal loans.
10. The large amount of credit associated with the purchase of agricultural implements and farm supplies.
11. The attractions in the past of real estate speculation in urban communities.
12. The lack of social atmosphere in rural districts.
13. The enforced idleness during winter months in localities where only grain is grown.

Our policy.

For much of this we have no remedy. We cannot alter the facts of geography, nor amend those handicaps which arise from physical conditions. It is not possible to bring this province nearer to the Great Lakes, though much may be gained from the route to Hudson Bay and something from the Panama canal. The tariff, as such, is a matter for the whole Dominion. We cannot, so long as we remain comparatively undeveloped, build up those great reserves of funds which come from thrift and which make cheap credit possible; but there is something that can be achieved. By concerted action and intelligent marketing we can eliminate at least some transportation charges, and we can outline a rural policy that will broaden and deepen as the years pass by. That policy must be: *While seeking to encourage in every way trade and markets with other provinces of the Dominion and countries of the world, and to reduce to a minimum the costs of transportation and other charges, before everything else to strive by every effort to foster such economic relations within the province, as will promote greater cohesiveness of rural life, yield to the producer a larger share of the returns from the products of his farm, while at the same time cheapening the costs of such products to the provincial consumer, and give to the people of this province a larger control over the conditions of their own material progress.*

CHAPTER IX.—THE SOLUTION IN THE LIGHT OF EXISTING CONDITIONS.

A new era.

The province is at the beginning of a new era. We have come in and possessed a goodly land—that has required enterprise and energy. Other virtues must henceforth be more largely called into play. Individual effort has been its reward and it has been abundant. Henceforth thrift and intelligent co-operation will play a greater role than hitherto. In view of the changing conditions of our economic life, the Commission believe that a solution of our problems must be sought along two lines, which after all do not greatly differ.

1. The spread of co-operative effort, especially at present, in the direction of selling and purchasing.

2. The fostering of financial institutions of our own, with sympathies for our own problems and control by our own people.

1.—CO-OPERATION.

The need of our agricultural life is closer organization. The farmer should be a cell in a rural organism. As it is, in his relation to every other industry he stands as an individual unit. He must accept low and give high prices because he acts only for himself and by himself. Between himself and his fellow farmers alone is there unrestricted competition, a competition from which he can expect only to suffer. But while agriculture is unorganized, every other industry is highly organized. Whereas tradesmen and dealers invariably possess among themselves understandings and a common policy, farmers have ever occupied too isolated a position and too detached a relation to invite or reward competition on the part of those who seek their trade. They do not act together sufficiently to induce sellers to lower, or buyers to raise, prices to secure a large block of business; and in this province their too exclusive devotion to grain production has fostered this aloofness from each other. The co-operative purchase of binder twine and the achievements of the Co-operative Elevator Company constitute splendid exceptions. But, with a larger measure of mixed farming, and its attendant greater compactness of settlement, the more uniform distribution of labour throughout the year, the consequent development of markets within the province itself, and the disappearance of the instinct to stake the success of the whole farming industry on a single throw for which exclusive grain growing is responsible, the way would be clear for united action and for that success which the operation of co-operative creameries so happily foreshadows. At present the urban Saskatchewan consumer buys butter from afar, and pays the cost of transportation, while at the same time some rural Saskatchewan producers (unnecessarily, in view of the government creamery policy) send as good or better butter outside the province and lose the cost of transportation. Co-operation in this matter and a dozen others would largely eliminate this double charge for transportation, would increase the profits of the producer, decrease the cost to the consumer and tend to bind our population into an economic whole.

Agricultural co-operation has produced a rural rebirth in Denmark, Germany, Italy, Ireland and other lands. These countries have found the co-operative society rather than the joint stock company suited to secure better prices for the sale of produce and the advantages of wholesale purchase of agricultural supplies. The reason is not far to seek. The profits of the latter belong to the shareholder who may or may not give his patronage to the company; but the profits of the former belong to the purchaser according to the extent of his dealings, and furnish a constant incentive towards fostering the development of the co-operative society.

The chief advantages of co-operation as applied to agriculture may be briefly summarized:—

1. Economies due to handling goods on a large scale, both in buying and selling.
2. The elimination of multitudes of nonproductive middlemen.

Co-operation needed.

Co-operative enterprises now existing.

Important effects in Europe.

Advantages summarized.

3. Protection against adulteration and inferior articles and implements.

4. A more intelligent study of market conditions and arrangements.

5. Co-operation develops responsibility in private and public life, makes for education in good citizenship, and trains men to act with prudence.

6. Co-operation produces a more cohesive rural social life.

In a powerful plea for the establishment of the rural community, George W. Russell, Editor of the *Irish Homestead*, declared to the American Commission at the Plunkett House, Dublin, July 15, 1913:

"If this ideal of the organized rural community is accepted there will be difficulties, of course, and enemies to be encountered. The agricultural middleman is doubtless as powerful a person on the American continent as he is in this little island. He will rage furiously—he will organize all his forces to keep the farmers in subjection, and to retain his peculiar functions of fleecing the farmer as producer and the general public as consumers. Unless you are determined to eliminate the middleman in agriculture, you will fail to effect anything worth while attempting. I would lay down certain fundamental propositions which, I think, should be accepted without reserve as a basis of reform. First, that the farmers must be organized to have *complete* control over all the business connected with their industry. Dual control is intolerable. Agriculture will never be in a satisfactory condition if the farmer is relegated to the position of a manual worker on his land; if he is denied the right of a manufacturer to buy the raw materials of his industry on trade terms; if other people are to deal with his raw materials, his milk, cream, fruit, vegetables, live stock, grain and other produce; and if these capitalist middle agencies are to manufacture the farmers' raw material into butter, bacon, or whatever else; are to do all the marketing and export, paying farmers what they please on the one hand and charging the public as much as they can on the other hand. The existence of these middle agencies is responsible for a large proportion of the increased cost of living, which is the most acute problem of modern industrial communities. They have too much power over the farmer and are too expensive a luxury for the consumer. It would be very unbusinesslike for any country to contemplate the permanence in national life of a class whose personal interests are always leading them to fleece both the producer and consumer alike. So the first fundamental idea for reformers to get into their minds is that farmers, through their own co-operative organizations, must control the entire business connected with agriculture. There will not be so much objection to co-operative sale as to co-operative purchase by the farmers; but one is as necessary as the other. You must bear in mind, what is too often forgotten, that farmers are manufacturers, and as such are entitled to buy the raw materials for their industry at wholesale prices. Every other manufacturer in the world gets trade terms when he buys. Those who buy, not to consume, but to manufacture and sell again, get their requirements at wholesale terms in every country in the world. If a publisher of books is approached by a bookseller he gives that book-

Geo. W. Russell
on co-operation
among farmers.

seller trade terms because he buys to sell again. If you or I, as private individuals, want one of those books we pay the full retail price. Even the cobbler, the carpenter, the solitary artist get trade terms. The farmer, who is as much a manufacturer as the ship-builder, or the factory proprietor, is as much entitled to trade terms when he buys the raw materials for his industry. His seeds, fertilizers, ploughs, implements, cake, feeding stuffs are the raw materials of his industry, which he uses to produce wheat, beef, mutton, pork, or whatever else, and, in my opinion, there should be no differentiation between the farmer when he buys and any other manufacturer. Is it any wonder that agriculture decays in countries where the farmers are expected to buy at retail prices and sell at wholesale prices? You must not, to save a row, sell the rights of farmers. The second proposition I lay down is that this necessary organization work among the farmers must be carried on by an organizing body which is entirely controlled by those interested in agriculture—farmers and their friends."

2.—THE FOSTERING OF FINANCIAL INSTITUTIONS OF OUR OWN.

The following features are characteristic of financial institutions which at present exist within the province:

Features of existing institutions.

1. With two or three unimportant exceptions they are not controlled within the province.
2. Being associations of lenders whose primary object is to secure profits, their interests in the final analysis are different from those of the borrowers.
3. The extremely low rate of interest allowed on deposits does not afford an inducement for people to save or to invest.
4. The great bulk of the funds used within the province is derived from sources outside the province.
5. The same institutions do not furnish mortgage and personal credit.

The following features should be characteristic of those financial institutions, the primary object of which is public service:—

Features to be sought.

1. They should be controlled within the province.
2. They should seek to serve both borrowers and lenders alike. Associations of borrowers grouped together to furnish the most ample security and who stand collectively liable, would have as their first duty to keep the lenders safe and as their primary object to secure credit cheaply.
3. Profits should be reduced to a minimum, only sufficient to cover expenses of administration and to build up the necessary reserve fund.
4. They should allow sufficient interest on deposits to encourage thrift and to induce people to invest safely.
5. Though for a considerable time in the future the great bulk of the funds used within the province must be derived from sources outside the province, they should constantly aim to place the financial resources of our districts and our province, however meagre to begin with, primarily at the services of these districts and this province.

6. Though different institutions furnish mortgage and personal credit they should operate harmoniously and sympathetically.

Security the essential.

To embody these principles in an institution in this province is not impossible if regard be had to existing conditions and the laws of natural growth. In work of this nature we must hasten slowly, but we must hasten for even now debt is clinging like a millstone to the neck of many a homesteader and farmer on the prairie. Those who expect the touch of Midas will be disappointed. If we would build for the future we must build wisely. In the world of finance the corner stone is ever the same—security. The first and greatest commandment must be to avoid risk. They greatly err, who, in their search for cheap money, seek only London and the marts of the world. The world of finance is like the Kingdom of Heaven. The beginning is within and at home. The only basis for cheap credit is the security that cannot be questioned. Without that the farmers of this province cannot secure money at favourable rates; with that they can challenge the money markets of the world.

Collective liability.

To begin at the bottom. It is clear that the individual farmer needs money to bring forth the productive qualities of his land, but he cannot of himself offer a security that will attract investors at home and abroad. He can, however, become the unit cell of a vast system. He can go to his neighbours and say, "At present the lender is in a position to dictate terms to borrowers. This can be reversed if we only safeguard the rights of the lender and recognize that the interests of both borrower and lender are the same. Let us stand together in this matter—let us be responsible for each other. The property we pledge will be more than sufficient to discharge the obligations we incur. But we must remember that we are offering a commodity for sale—credit security, and to obtain what we desire we must offer a quality that is unquestioned. Should one of us fail, the rest must stand in the breach. The very acceptance of a loan means the acceptance of an obligation to meet the annual instalment of interest and principal promptly. If we accept a loan of say \$1,000 we must be liable not only for that amount but also for an additional amount, say \$500, to cover a contingent loss either through the default of a fellow member or through any other cause. Before this collective liability could operate to our individual disadvantage, the assets of that member who was responsible for the loss must first be taken. But as a loan could be, say only 40 per cent of the valuation of his property pledged, the probability of calling on us individually would be very small. In any case we are safeguarded in two ways. We shall admit to our group only those in whose integrity we can place the most ample confidence; and we shall approve of only those loans which we believe are for productive purposes and are calculated to leave the borrower in better shape after he received the loan than he was in before."

Proposed plan outlined.

Here is the nucleus of our system—a local group of members jointly and severally liable for each other's debt, and as a group, in due proportion with other similar groups responsible for the whole association. While those local groups are springing into existence in various parts of the province and are waiting to be approved and registered by a central commission, this commission should be

at work organizing, directing and inspiring. Though in the meantime appointed by the government, which, as we shall see, in the early stages of this enterprise, has much at stake, it should ultimately be entirely chosen by representatives of these local groups. As soon as adequate machinery has been devised and some measure of success attained, the government should proceed gradually to efface itself and to allow the institution to proceed upon practically an independent career.

The central commission should be the controlling force. It should not be too large, else it will be cumbersome. It should represent the locals but at the same time regulate their actions. As it must represent the institution before the outside world, and especially in the money markets, it should have the final voice in the acceptance of all loans, having the power to veto those approved by the locals but not the power to approve those vetoed by the locals. To keep this central commission in close and intimate sympathy with the whole rural constituency, there should be brought into existence another and larger body whose chief function should be advisory. Of this advisory board a part should be chosen by the annual general meeting of the association and the remainder might represent the Grain Growers' Association, the Convention of Agricultural Societies, the Union of Rural Municipalities, the Provincial Winter Fair Board, the University of Saskatchewan, and, perhaps, in the course of time, the agricultural co-operative societies of the province.

Money should be raised by mortgage bonds, issued in small denominations, payable to bearer and bearing interest. They should be issued not against individual properties but against the total aggregate of properties pledged and to an amount not exceeding the aggregate of the loans advanced. Loans should be granted only for approved agricultural productive or improvement purposes, and care should be taken either by recalling the loan or in some other way, that the borrower adheres to the purpose for which the loan is granted. It is, of course, to be expected that neighbours, who are responsible in the event of a fellow member's default, will keep a sharp eye on his use of that for which they too are liable. The loans should cover a period of years, say from fifteen to thirty-five, and should be repaid in equal payments covering both interest and principal. Provision should, however, be made whereby a borrower might repay at an earlier date if he felt so inclined.

The aim should be to render credit cheap, not to secure profits. The borrower should be required to meet all legitimate expenses and provide for the perpetuation of the association by the creation of a reserve fund. The reserve fund should increase indefinitely and serve as a guarantee against loss.

Individuals and locals should remember that promptness is the quickest way to establish a reputation for security. Locals should, therefore, see that all obligations are met at due date. As we have already indicated, this is accomplished in Germany in a rather drastic manner.

Better credit facilities can be provided. We desire to place the emphasis upon the word "better," for it is better credit rather than more credit that the farmers of this province need. Investigation indicates this clearly and the evidence of the farmers themselves

confirms it strongly. But to secure that better credit it is not enough to assail existing institutions. A constructive policy is essential. The conviction of the Commission after careful study is that the sober-minded farmers of this province realize thoroughly that the prime requisite in a progressive and constructive programme that will yield better credit is to provide security unquestioned and indisputable; security that is adequate, and, one might almost add, superfluous and unnecessary. But the thoughtful farmer who has addressed himself to these problems knows that in this matter no security should be regarded by the borrower as superfluous and unnecessary. He understands that it is just that precise factor in his security which his neighbour styles "unnecessary," which will render his mortgage bonds readily saleable at reasonable rates. It is in this way that from being a mendicant for credit he becomes a merchant of security. The lender will seek him out, if the security he offers is, as Cæsar's wife should be, above suspicion; and in the scheme which this Commission suggests the security which the farmer will offer will be beyond reproach. Every mortgage bond will be secured, even after the period of government guarantee has expired, by the following provisions:—

Abundant security necessary.

Safeguards behind proposed mortgage bonds.

1. The aggregate of the bonds issued may not exceed the total amount of the mortgages placed.
2. Mortgages will not be granted beyond a certain proportion of the value of the land estimated with the utmost care.
3. The amount of debt will be constantly reduced by amortization.
4. The restriction of the loan to productive or improvement purposes will operate constantly to increase the value of the security.
5. The total amount of a perpetually increasing reserve fund, and all the property of the association, will be liable for all claims.
6. In the final analysis the borrowers are collectively liable to an amount 50 per cent greater than the total amount of their loans to meet the claims of bondholders.

Difficulties discussed.

Arising out of this sketch of our projected co-operative mortgage association, some difficulties immediately present themselves:

1. Who is to bear the expense of organization?

The Provincial Government may reasonably be expected to bear the cost of initial organization and, as well, the salary, during a period of say three years of that commissioner whom it designates managing commissioner.

2. What is likely to be the farmer's attitude towards the principle of collective liability?

This principle was thoroughly explained to the farmers of the province at the meetings of the Commission and was almost invariably heartily indorsed. It is a much more favourable arrangement than the ordinary partnership or the present system of store and implement credit, under which the merchant or dealer has to collect from those who pay the debts of those who will fail to pay; and in the co-operative

purchase of binder twine it has already been tried with marked success in many districts of the province.

3. Where is the money to be obtained?

(a) *Sources within the Province.*—In any scheme, that seeks to be permanent, provision should be made for an increasing use of local funds. By the sale of interest bearing bonds within the province, the resources of our own people are made available in the first instance for our own local needs. A growing number will welcome the opportunity to invest in bonds that yield a higher rate of interest than savings deposits, and at the same time are easily negotiable within the province.

It is exceedingly difficult to form an accurate estimate of the amounts that might be available for investment or even for deposit within the province. At the present time, as the following table indicates, only about one-third of 1 per cent of the balances in the Post Office Savings Bank of the Dominion comes from Saskatchewan:

Statement of Balances in Post Office Savings Bank, Month by Month. Savings bank deposits.

	Canada.	Saskatchewan.
<i>1911.</i>		
September..	\$43,259,218	\$123,378
October..	43,159,291	123,307
November..	43,051,991	118,666
December..	43,022,772	119,526
<i>1912.</i>		
January..	42,962,553	118,409
February..	42,769,594	116,397
March..	43,563,764	111,133
April..	43,104,213	111,184
May..	42,792,297	114,613
June..	42,683,232	116,666
July..	42,696,793	121,366
August..	42,726,347	127,271
September..	42,661,908	132,928
October..	42,406,934	130,914
November..	42,174,667	122,666
December..	42,034,988	117,879
<i>1913.</i>		
January..	41,963,040	113,378
February..	41,751,241	112,020
March..	42,728,941	113,964
April..	42,189,244	116,170
May..	41,938,210	120,321
June..	41,885,255	124,763
July..	42,027,632	127,519
August..	42,125,880	131,152

Information as to amounts on deposit in Saskatchewan was supplied by the general managers of only two of the chartered banks doing business in the province, and is therefore too incomplete to be of any value.

BOARD OF INQUIRY INTO

(b) *Sources outside the Province.*—For a considerable time to come the larger bulk of the funds required must inevitably come from sources outside the province. Until the association has established its reputation it must offer a security that is known to the investing public. To begin with, it must be remembered, the association possesses practically no assets, and, so far as the investing public abroad is concerned, no financial standing. Large mortgage corporations which float mortgage bonds abroad possess both. To serve in their place the association must secure one or both of the two following privileges:—

1. The guarantee of the provincial government.

This would be required only temporarily, till the association had established its reputation. Should this be employed, as seems likely to be necessary, it is proper that the amount of the government guaranteed bonds should be determined annually by agreement between the government and the association.

2. The inclusion of these mortgage bonds in the British trustee list.

For the regulation of the investment of trust funds the Lords Commissioners of the British Treasury have approved certain investments and laid down certain conditions. The trustee list includes the securities of the overseas Dominions, India and certain Crown colonies.

The following are the conditions:—

1. The colony shall provide by legislation for the payment out of the revenues of the colony of any sums which may become payable to stockholders under any judgment, decree, rule or order of a court in the United Kingdom.

2. The colony shall satisfy the Treasury that adequate funds (as and when required) will be made available in the United Kingdom to meet any such judgment, decree, rule or order.

3. The colonial government shall place on record a formal expression of their opinion, that any colonial legislation which appears to the Imperial Government to alter any of the provisions affecting the stock to the injury of the stockholders, or to involve a departure from the original contract in regard to stock, would properly be disallowed.

The securities of the Dominion of Canada have access to this list. So, also, have those of the various Australian States, Natal, the Cape of Good Hope, New Zealand, Newfoundland and India. The Australian States secured admission before they were constituted a commonwealth, while they were still individually in the colonial relation to Great Britain. This privilege the Province of Saskatchewan never possessed. Nor under clause 3 can our securities qualify for admission, for our constitutional arrangements do not contemplate bringing our provincial legislation directly under the purview of the Imperial Government. Yet the injustice of according our securities an inferior status to those of Hong Kong seems evident. So far representations have proved unavailing.

Government
guarantee
required.

Trustee list.

Mr. Henry Wolff, the eminent authority on co-operative banking, writes: "Why should not colonial land bonds be gladly accepted as good investments in Great Britain? It all depends upon the system upon which they are issued, and the safeguards observed to make sure that they represent good value.* * * Once land bonds could be made to find a market in the old country—which it is only reasonable to presume that they would—capital, which is, in the colonies, largely wanted for purposes of development, might be attracted in substantial sums from the United Kingdom."

OTHER SOURCES.

(a) *On the Continent.*—The market for co-operative mortgage bonds on the continent at present must be acknowledged to be problematical. Such bonds from Denmark do find a ready market in Germany and are issued contemporaneously in Hamburg and Copenhagen. Saxon bonds sell throughout the German Empire. But these are rather the exceptions. In some cases the boast, in others the complaint, is that these bonds sell at home where the security is best known. It can reasonably be expected that the sale of a Saskatchewan co-operative mortgage bond on the continental market belongs rather to the future than to the present.

(b) *In Canada.*—Apart from direct investment in mortgage bonds, which, it can be anticipated, if the rate of interest be sufficient, will take place on an increasing scale throughout the Dominion, it may be well to enumerate briefly the various funds, which, either themselves or those corresponding to them, are in other countries devoted to this purpose.

1. Post office savings funds. (August, 1913, \$42,125,880.)
2. Proportion of profits accruing to banks as a result of their privilege of issue.
3. Annuities funds.
4. Direct grant from national government.
5. Government savings bank funds.
4. How is personal credit to be provided?

Experience shows that mortgage business is different from banking business. But because the two branches of business are distinct is no reason why they should not be sympathetic. To secure this sympathy two features should be embodied in their relationship:

(a) Those who direct the policy of one should direct the policy of the other as well. The scheme of the interlocking directorates, which has operated to the disadvantage of the public, can be made to work for the public benefit.

(b) That policy should be in the interests of the borrowing community.

It is expedient, therefore, that the co-operative mortgage association, which is an association of borrowers, should itself establish a sister but independent institution to transact a regular banking business. The majority stock of this bank should be held by the

Mortgage bonds on continent.

Funds in Canada.

Association should aim to establish bank.

mortgage association, and the balance sold to agriculturists within the province. The provincial government should at the same time of the establishment of this bank render such assistance as will enable the association to control the bank in the interests of the agricultural industry.

Bank's relation to association.

The bank should open branches in such centres as from a banking point of view would be proper, and grant to locals of the mortgage association lines of credit for personal loans to its members. The officers of these locals should act as receiving agents for deposits for the bank, and, subject to the instructions of the bank, apply those deposits to personal loans up to the limit of the line of credit granted to the local by the bank. In this way the funds of every community would be available in the first instance for the needs of that community and the expense of transmitting funds would be reduced to a minimum. The various public and semi-public institutions of the province should be encouraged to transact their banking business with this bank. The profits might be devoted to two objects:

(a) To spread the activities of the bank throughout the province.

(b) After the bank is well established their proportion of the profits should be handed over to the agriculturist shareholders. The portion paid to the mortgage association might be devoted to:

1. The building up of a reserve fund.

2. The paying of amortization instalments of outstanding debts.

Nor should it be forgotten that no small part of the function of this bank should be to raise the rate of interest on deposits and thus to secure to those who have funds to deposit a more reasonable return for their money.

5. Is the solution offered adequate or final.

A nation-wide issue.

The Commission would particularly insist that the solution which it offers is a solution *in the light of existing conditions*, one that is practicable and calculated to afford relief. The system proposed possesses within itself elements of permanence and a capacity for expansion and growth. But the Commission would be lacking in candour did it fail to reiterate a conviction to which it gave expression in the introduction to this report: "Agricultural Credit is a problem which cannot be solved by one borrower or one community and perhaps not even satisfactorily by one province." This is a nation-wide issue demanding a nation-wide policy. The adoption of Raiffeisen or Schulze-Delitzsch or other neighbourhood societies may not be immediately practicable, but these societies contain the germ of a tremendous principle within their constitution, the principle of local cohesion. Through them, local resources are allowed to exert their fructifying influences. They stand upon a solid basis of security, the security of mutual confidence and control.

In Europe these neighbourhood banks are through central organizations intimately associated with the banks of issue and serve for them as a species of gauge or financial thermometer. More significance is attached to the resources and needs of the local communi-

ties, the security at the base, than to the arbitrary, if honest policy of the director at the top. In Canada we pride ourselves on our centralized system of banking. In the face of severest criticism it does not stand condemned. It has a function to perform, and, on the whole, it has performed it fairly well. But it is not suited to the producing agriculturist. It is not calculated to respond to local needs and local sympathies.

Present banking system inadequate.

In Quebec co-operative banks have been introduced. But conditions in Quebec are more like those in Europe than are conditions in any other part of the Dominion. It will be long before Saskatchewan resembles either Quebec or Europe. And yet these neighbourhood banks established on co-operative principles are the ultimate goal. They furnish the farmer the open account. They place agriculture upon a business basis. But they are possible only under two conditions:

1. When the funds of the neighbourhood tend to be sufficient for the economic needs of that community.
2. When the resources of the local community are supplemented by resources put at the disposal of that community by some strong central body.

In Europe this assistance comes from banks of issue, savings banks or governmental sources. In our country this should come from postal savings, the profits on note issues or the Dominion Government. It is a nation-wide issue, to supplement, not to supplant our banking facilities in the interests of agricultural credit. The solution offered by this commission is practicable. It will endure. But it does not solve the whole question of rural finance. That is a problem for the whole Dominion.

Dominion must act.

CHAPTER X.—RECOMMENDATIONS.

1. That, inasmuch as in the experience of older communities cheaper agricultural credit is invariably associated intimately with other phases of agricultural co-operation, such additional legislation be enacted by the legislature and information and guidance provided by the government as will further facilitate on the part of the farmers of the province the establishment upon a sound basis of a system of local and central rural co-operative societies for purchasing and selling farm products and supplies.

Co-operation should be fostered.

2. That legislation be enacted to provide for the establishment of a co-operative mortgage association for the raising of funds on mortgage bonds and the granting of loans to farmers on mortgage security for approved agricultural productive or improvement purposes only; such legislation to embody the features hereinafter mentioned.

Mortgage association should be formed.

3. That the association be known as the Saskatchewan Co-operative Farm Mortgage Association and consist of a central commission, an advisory board, local associations, individual members and an annual general meeting.

Its constituent parts.

4. That the central commission consist of at least three members clothed with the necessary authority as the executive body of the association;

Central commission.

BOARD OF INQUIRY INTO

(a) At the outset the government to appoint all members;

(b) One of the members to devote his whole time to the work of the association as managing commissioner and to be the only salaried member of the commission;

(c) As the association acquires financial standing and is able to dispense with the provincial guarantee in the marketing of its securities, the selection of commissioners to be gradually transferred to the association acting through its annual general meeting.

Advisory Board.

5. That an advisory board of fifteen members be created to act in an advisory capacity in relation to the commission; the members to be appointed part by the association acting through its annual general meeting and the remainder by such organizations and institutions in the province as exist to promote agricultural betterment.

Conditions of membership.

6. That the individual members be borrowers admitted by vote of the local association into its membership, approved mutually and by the central commission and who have paid the initial entrance fee of \$10.

Local association—how formed.

7. That each local association consist of at least ten members with a combined mortgage loan of at least \$5,000, united on the basis of joint and several liability, formed by mutual consent and with each member approved by the central commission.

Annual general meeting.

8. That the annual general meeting consist of representatives, one from each local association.

When summoned.

9. That the first general meeting be not summoned and loans to individuals be not made until at least twenty-five local associations have been formed as provided in section seven by the central commission.

Members liability.

10. That the liability of the individual member, whether as member of the local association or as member of the Saskatchewan Co-operative Farm Mortgage Association, in respect of any obligation incurred or losses suffered or in any other respect whatever, be limited to an amount not more than fifty per cent greater than the amount of his loan.

Liability of local association.

11. That the liability of the several local associations to the Saskatchewan Co-operative Farm Mortgage Association being the ratio of the aggregates of the mortgage loans of the members composing such associations.

Loans on amortization plan.

12. That all mortgage loans be issued on an amortization basis to cover a period of not less than fifteen, and not more than thirty-five years, with the option reserved to the borrower, upon three months' notice being given or a bonus of three months' interest being paid, of paying the whole or any part of the balance due in excess of the stipulated payment on any regular day of payment before the final; always provided that payments in excess of the regular payment shall not release the borrower from his obligation to meet promptly his subsequent consecutive annual payments until the amount of his indebtedness has been discharged.

Securing funds.

13. That the funds required by the association for loans to its members be raised on mortgage bonds issued by the association and fully guaranteed by the provincial government, the amount of such

government guaranteed bonds to be determined annually by agreement between the provincial government and the association.

14. That the association advance its funds to the borrower at a rate of interest which will include only the cost to the association of the money itself, the expenses of administration and provision for the creation of a reserve fund to provide such security and guarantee for the future issue of mortgage bonds as will in the course of time render government guarantees unnecessary and place the association upon a purely self-supporting basis. Rate of interest—no profit.

15. That loans be limited to 40 per cent of the central commissioner's valuation of the property to be mortgaged. Limit of loans.

16. That the provincial government make a grant of not less than \$10,000 towards the expense of organizing the Saskatchewan Co-operative Farm Mortgage Association and also pay the salary of the managing commissioner for at least three years. Government grant for organization.

17. That the Saskatchewan Co-operative Farm Mortgage Association establish as soon after its foundation as is feasible a bank with headquarters within the province to conduct a regular banking business both through branches of its own and, wherever possible, with and through the locals and officers of the association: Bank for personal credit.

(a) Such assistance to be rendered by the provincial government at the time of the establishment of such bank as will enable the Saskatchewan Co-operative Farm Mortgage Association to control it in the interests of the agricultural industry.

18. That the schedule of land titles fees be so revised that, while not yielding any less revenue to the provincial treasury or causing specific services to be performed at a loss, they shall bear less heavily upon the homesteader whose land is encumbered at the time of the issuance of the patent therefor. Land titles fees.

19. That the representations which for some time past have been made by the government be continued through the proper channels to the Lords Commissioners of the British Treasury to include the securities of the Province of Saskatchewan and securities guaranteed by the provincial government in the British trustee list. Trustee list.

20. That the provincial university be asked to furnish either by regular classes or through its extension department or otherwise such instruction as will provide a knowledge of accounting methods and disseminate throughout the province an adequate acquaintance with co-operative principles. Training accountants.

All of which is respectfully submitted.

J. H. HASLAM, *Chairman.*
CHAS. A. DUNNING,
EDMUND H. OLIVER.

APPENDIX No. 32.

CREDIT.

(Monthly Bulletin of Economic and Social Intelligence, October, 1914.)

WORK OF THE SPECIAL AGRICULTURAL CREDIT INSTITUTES IN 1913.

Sources: Banco Di Napoli, Cassa Di Risparmio, Credito Agrario. Relazione sull'esercizio 1913. (Bank of Naples, Savings Bank, Land Credit Department. Report for the year 1913.) Naples, 1914. Banco di Sicilia, Rendiconto del Consiglio d'Amministrazione sul servizio del credito agrario e bilancio consuntivo, esercizio 1913. (Bank of Sicily, Report of the Board of Management on the Agricultural Credit Service and Balance Sheets for 1913.) Palermo, A. Giannitrapani, 1914.

In this article we intend to give a short account of the work done in 1913 by the special Agricultural Credit Institutes, that is to say, by the institutes, for the most part regional in character, authorized by special laws for this class of credit work. The most important of these laws are those of July 7, 1901, authorizing the Savings Bank of the Bank of Naples to do agricultural credit business in the provinces of Southern Italy and the Island of Sardinia, and of March 29, 1906, instituting a department at the Bank of Sicily for the grant of agricultural credit. We may also mention the laws of December 21, 1902, March 31, 1904, and June 25, 1906, respectively for credit in Latium, Basilicata, Calabria, etc.

The fundamental principle of this legislation is the distribution of credit to farmers, not directly, but through local institutes, preferably through those of co-operative form (rural and agricultural banks, agricultural consortiums, etc.), therefore styled intermediary organizations.

Exception is only made for those communes that have no local institutions or none inspiring confidence or activity working: in these, loans may be granted to the farmers directly.

The agricultural credit institutes, consequently, carry on an active propaganda in favour of the foundation of intermediary organizations and strive to ensure their good working by means of the distribution of model rules, instruction in bookkeeping and inspections. Besides this, in order the better to attain this end, the Department of Agriculture, in accordance with the above laws, every year opens prize competitions among the co-operative societies. The agricultural banks, large numbers of which have been lately founded in the south and in the Islands, of the same legal character and economic form as the rural banks, owe their origin to the special agricultural credit laws above referred to.

51.—THE SAVINGS BANK OF THE BANK OF NAPLES AND THE AGRICULTURAL CREDIT DEPARTMENT AT THE BANK OF SICILY.

The agricultural credit business done by the two Southern Banks appreciably increased in 1913, as is seen from the following figures:

Years.	Bank of Naples. frs.	Bank of Sicily. frs.
1908..	4,823,440	2,192,298
1909..	5,390,203	4,061,269
1910..	7,830,401	7,119,720
1911..	9,654,213	9,137,972
1912..	9,353,833	12,039,391
1913..	13,034,341	15,628,632

The advance is especially observable in the case of the Bank of Sicily: Sicilian agriculture finds in this large increase of capital no inconsiderable assistance in its economic and technical development, which also stimulates the various forms of agricultural co-operation.

Passing on to a more detailed consideration of the work done by the two banks in 1913, we find in the first place that the number of the intermediary institutes of the Bank of Naples continues to increase; and indeed from 1,750 in 1911 they increased to 1,855 in 1912 and 1,963 in 1913; however, the number of these considered "good," which, that is to say, may be depended upon for credit, only increased in the above three years from 868 first to 938 and then to 1,044; the increase in 1913 was almost entirely among the agricultural banks; of the 1,044 good institutes, 133 (amongst them 124 people's banks) also are accredited to the Bank for purposes of ordinary discount business.

The good institutes are divided as follows: Agricultural and rural banks, 313; Sardinian monti frumentari, 288; people's banks, 160; agricultural consortiums, 126; agricultural loan banks, 115; savings banks, 16; mutual aid societies, 9; monti frumentari, 8; independent provincial agricultural credit banks, 6; agricultural credit societies, 3.

But only some of the good institutes are entered on the agricultural register; at the end of 1913, 633 were so registered for an amount of 22,933,600 frs. (Amongst these 150 people's banks for 7,183,000 frs., 87 agricultural consortiums for 6,676,500 frs., and 199 agricultural and rural banks for 6,083,000 frs.)

The operations conducted by the Bank of Naples in 1913, not including renewals, amounted to 13,034,341 frs.: 5,857,385 frs. provided out of its own funds, and 7,176,955 frs. out of the funds of the provincial banks. Altogether its rediscount transactions amounted to 10,347,107 frs.; it made direct loans to the amount of 865,646 frs., and directly discounted bills to the amount of 1,821,588 frs.

The total amount of the business done in the twelve years exceeds 60,000,000 frs., of which about 36,000,000 frs. was done through agricultural consortiums and 12,000,000 frs. through agricultural banks. The total bills and acceptances at the end of 1913 amounted to 7,884,069 frs.

Last year, both for its own business and for that of the provincial banks, the savings bank of the Bank of Naples maintained the rate of interest of 3½ per cent on operations (for rediscounting and direct discounting) with the intermediate institutes, and 4 per cent on loans granted directly to farmers; the intermediary institutes, in their turn, lent at rates varying from 3½ to 6 per cent, and for the most part at 5 and 5½ per cent.

According to the object of the loans, the credits in kind granted to the farmers by means of rediscount operations and direct loans were distributed as follows:

1.—Loans with Legal Preference.

	No.	Frs.
For harvest.	616	366,771.60
“ cultivation.	6,281	2,272,524.39
“ seeds.	2,653	1,262,312.73
“ manure.	3,230	560,028.44
“ anticryptogamic mat'l.	2,424	325,790.19
“ food for metayers.	26	5,614.50
“ various purposes.	2,115	1,064,846.08
	<hr/>	<hr/>
	17,345	5,862,887.93

BOARD OF INQUIRY INTO

2.—Loans without Preference.

	No.	Frs.
For large livestock..	3,339	1,096,351.98
“ small livestock..	492	163,312.60
“ machinery..	479	167,933.48
“ farm implements..	214	26,463.07
“ dead stock..	97	31,051.80
“ various purposes..	38	30,915.80
	4,659	2,516,028.72

3.—Loans with Preference by Agreement.

For large livestock..	5	10,000.00
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4.—Loans on Deposit of Agricultural Produce.

On cereals..	310	2,749,235.80
“ wine..	15	70,600.00
“ oil..	1	4,000.00
	326	2,823,855.80

The loans with legal preference represent 52.29 per cent of the total credit granted to the farmers; those without preference, 22.43 per cent; those with preference by agreement, 0.09 per cent; and those on deposit of agricultural produce, 25.19 per cent.

Of the loans, 13,409 for 5,421,851 frs. (48.35 per cent) were granted to proprietors working their own farms; 299 for 65,633 frs. (0.59 per cent) to tenants on long lease; 329 for 158,409 frs. (1.41 per cent) to metayers or tenants paying rent partly in kind, and 8,298 for 55,566,860 frs. (49.65 per cent) to tenant farmers.

The direct discount given was in 191 cases on 1,382,570 frs. for collective purchases; in 10 cases on 332,280 frs. for collective sales, and in 33 cases on 106,738 frs. to make up the capital of the intermediary organizations; almost all on the proposal of agricultural consortiums and land banks.

The total credit granted out of the funds of the Savings Bank of the Bank of Naples and the Provincial Banks was distributed as follows among the various provinces:—

Provinces.	Amount—Frs.
Foggia..	4,803,790.68
Aquila..	1,676,977.78
Bari..	1,152,495.11
Sassari..	1,000,123.78
Caserta..	866,144.85
Lecce..	655,240.99
Teramo..	558,772.92
Reggio..	431,960.00
Catanzaro..	302,090.00
Salerno..	283,871.07
Potenza..	261,738.43
Cagliari..	258,006.05
Campobasso..	246,751.34
Naples..	196,706.26
Chieti..	108,335.51
Benevento..	106,896.50
Cosenza..	70,745.00
Avellino..	48,694.35
Total..	13,034,340.62

The intermediate organizations accredited to the Bank of Sicily increased in number in 1913 from 275 to 323.¹ This large increase is due to the active propaganda of the Institute; the large majority (255) are societies of collective title; 303 institutes have the form of co-operative societies, and of these 130 are agricultural co-operative societies for production and labour. The entries in the agricultural register increased in 1913 from 14,882,000 frs. on December 31, 1912, to 17,880,218 frs. on December 31 of the ensuing year.

The work of the bank shows a new and magnificent advance: 48,712 operations were conducted for the amount of 15,628,632 francs; with the increase of the intermediate organizations, the amount of the operations conducted with private individuals, once so important, has been reduced to an inconsiderable minimum (51 operations, for 8,475 francs); those conducted with intermediate institutes were 48,661 for an amount of 15,620,157 (rediscount operations to the amount of 13,374,781, and direct discount operations to that of 2,245,376 francs).

The direct and indirect loans may be classified as follows in relation to their object:

	Number. Operations.	Amount. Frs.
I. For seeds, manure, anticryptogamic substances, cultivation and harvesting.. . . .	46,122	12,127,996
II. For live stock.. . . .	2,175	1,912,305
" machinery.. . . .	37	37,750
" farm implements.. . . .	1	3,000
" dead stock.. . . .	5	1,625
III. For direct discount to the intermediate organizations, for distribution to members.. . . .	144	720,871
For collective purchases.. . . .	130	783,161
" payment of charges.. . . .	71	582,280
" advances on produce.. . . .	26	159,063

As regards the condition of the borrowers, the operation may be divided as follows:—

	Operations Number	Amount frs.
Land holders.. . . .	20,499	6,205,593
Tenants on long lease.. . . .	1,123	328,293
Metayers.. . . .	1,876	433,796
Tenant farmers.. . . .	24,843	6,415,571

1. The number of the members of the intermediate organizations of the Bank of Sicily on December 31, 1913, was 50,178; the capital of the members with unlimited liability was 223,145,847 frs., and the capital of the institutes themselves 3,707,158 frs.

The various provinces shared as follows in the total amount of credit granted in 1913:—

Provinces.	Amount, frs.
Caltanissetta.. . . .	3,074,153.45
Palermo.. . . .	2,800,822.71
Trapani.. . . .	2,776,627.12
Girgenti.. . . .	2,206,509.95
Caltagirone	1,752,162.91
Syracuse.. . . .	1,592,745.07
Catania.. . . .	956,710.54
Messina.. . . .	368,800.96
Total.. . . .	15,628,631.71

¹ Riccardo Bachl's Annual "L'Italia Economica."

The interest charged on loans by the Agricultural Credit Department of the Bank of Sicily in 1913 was 4 per cent; that demanded from their members by the intermediary organizations was generally 6 per cent.

52.—OTHER SPECIAL AGRICULTURAL CREDIT INSTITUTES.

The figures for the operations conducted in 1913 by the other special agricultural credit institutes working in Italy are shown in the following table.¹ In order to make it more complete, we have included also those given above for the Banks of Naples and Sicily.

In 1913, therefore, the special agricultural credit institutes lent the Italian farmers about 40,000,000 frs., 9,000,000 frs. more than in 1912.

¹ Riccardo Bachi's Annual "L'Italia Economica."

AGRICULTURAL CREDIT GRANTED IN 1913, IN ACCORDANCE WITH THE ITALIAN REGIONAL LAWS.

Balance at end of 1912.	Name of Institute.	Loans to Intermediate Institutes.	Loans made directly to Farmers.	Total.	Balance of Loans at end of 1913.	
3,666,482 88	} Bank of Naples {	out of its own Funds.....	5,342,185 48	515,200 00	5,857,385 48	4,026,380 32
3,009,476 41		out of the Funds of the Provincial Banks.....	6,826,509 39	350,445 75	7,176,955 14	3,859,378 95
4,593,195 34	} Bank of Sicily {	out of its own Funds.....	10,300,084 54	1,000 00	10,301,084 54	6,729,837 58
3,604,402 53		out of the Funds of the Provincial Banks.....	5,320,072 17	7,475 00	5,327,547 17	3,913,561 45
2,508,666 94	Agricultural Credit Institute for Latium Credit.....		4,942,122 96	633,342 15	5,575,465 11	2,237,723 47
375,872 50	Vittorio Emanuele III Agric. Credit Institute—Catanzaro.....		13,000 00	255,955 00	268,955 00	348,827 50
495,333 43	Vittorio Emanuele III Agric. Institute—Cosenza.....		10,000 00	302,253 00	512,253 00	580,379 52
461,610 00	Vittorio Emanuele III Agric. Credit Institute—Reggio Calabria.....		53,000 10	313,205 00	366,205 10	548,305 00
1,115,781 06	Cagliari Ademprivile Bank.....		1,889,483 34	177,531 00	2,067,014 34	2,060,892 65
2,099,214 98	Sassari Ademprivile Bank.....		512,002 63	880,708 50	1,392,711 13	2,189,062 80
1,316,697 69	Agricultural Credit Provincial Bank for Basilicata.....		678,529 77	272,874 89	951,404 66	1,493,563 85
23,146,733 76	Total.....		35,886,990 28	3,909,990 29	39,796,980 67	27,987,877 09
			Total for the year 1912.....		30,417,180 71	
			Difference in favour of 1913.....		9,379,799 96	

APPENDIX No. 33.

FUNDAMENTAL PRINCIPLES OF CO-OPERATION IN AGRICULTURE.

By G. HAROLD POWELL.¹*(University of California Agricultural Experiment Station, Circular No. 123.)*

EDITOR'S NOTE.—This circular is evidently a general concise statement of the principles of co-operation which are discussed in detail and applied to different kinds of co-operation in the author's larger work "Co-operation in Agriculture," 1912 (350 pages), reviewed in the June, 1914, number of "The Bulletin of Foreign Agricultural Intelligence," page 426.

The co-operative organization differs fundamentally from the capital stock corporation conducted for profit. A capital stock corporation for profit is organized to return an earning and a profit on the capital used in the business. The basis of administration, control and the distribution of earnings is the capital invested in the undertaking.

In a co-operative organization, the basis of control is the membership, where each votes equally irrespective of the volume of his business; though the basis of control is often made the product of the members, where each votes in proportion to the volume of business contributed while the earnings in either case, if they occur, are returned to the member in proportion to the volume of business he transacts through the organization. The basis of the co-operative organization is men; of the capital stock corporation, money. Capital cannot co-operate; products cannot co-operate; only men can co-operate. When the degree of co-operation of a member is measured by the capital or the volume of business contributed, then the members as men are not co-operating; either capital or a product is the basis of co-operation through the member as a medium.

CONFUSION IN THE USE OF THE TERM "CO-OPERATION."

There is much confusion in the use of the term "co-operation" as applied to agricultural efforts. It is commonly applied to any group of farmers who associate themselves together. They may organize as members of a voluntary incorporated association of individuals; or an incorporated capital stock association to handle farm crops for profit or for other purposes, or as non-profit corporations without capital stock. In California, for example the term is applied to both profit and non-profit corporations organized to handle farm products, whether organized and controlled by the producers themselves, or by others. In other parts of the country, the same uncertain use of the term is applied to various kinds of agricultural movements. The term needs to be defined by the federal and state statutes. It is believed that its use as applied to business organizations in agriculture should be restricted to incorporated associations, societies, exchanges, or agencies which are formed exclusively for the benefit of the members; whose voting power is based on equality of membership; whose membership is confined exclusively to active producers, the membership ceasing to exist when the producer withdraws from the organization, and whose earnings are distributed on the basis of the product, rather than on the capital contributed by each member, after a fair rate of interest is paid for the use of capital actually employed in the business, if any, and other overhead charges are deducted. A co-operative organization, therefore, is not a corporation in which the

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capital is contributed primarily in order that it may earn a profit; nor one composed of producers and non-producers; nor one in which the producer's product is handled by a corporation for the benefit of the stockholders rather than for that of the members; nor one in which the membership is not under the control of the organization; nor one in which the members do not actually control the organization. It is an association of farmers who unite in an effort to handle their common interests through an agency which is controlled by them, on the principle of an industrial democracy, and exclusively for their benefit.

FORMS OF CO-OPERATIVE ASSOCIATIONS.

A co-operative association may be incorporated as a capital stock corporation or as a non-profit corporation without capital stock. If formed as a capital stock corporation it may still be legally co-operative if the laws under which it is formed permit the members to manage its affairs along co-operative lines, or if the statute provides the method of voting, the method of transferring stock, the limitation of membership and the distribution of earnings according to co-operative principles. There has been little effort by the states to enact laws that will permit the organization of purely co-operative associations of farmers. It is, therefore, impossible in most states for an association to be formed than can operate securely along co-operative principles, though as a matter of fact many associations so formed do, by the consent of the stockholders, actually operate co-operatively.

A STOCK CORPORATION NOT THE FORM FOR A CO-OPERATIVE ORGANIZATION.

The stock corporation as defined by the statutes of most states is not the form under which to incorporate a farmers' business organization, though most of the so-called co-operative associations have been incorporated under the stock corporation statutes. The stock corporation laws have been enacted primarily to meet the needs of capital, not primarily for the benefit of those who may use the facilities of the corporation. The membership in such organizations is not under legal control, because the right to sell the stock is a legal incident of its ownership. A stockholder may sell his farm and continue to be a stockholder in a stock corporation, and still have the right to examine the affairs of the association, or he may sell his stock to some one who is not interested in the organization, or who may even be antagonistic to it; or he may withdraw his membership and still remain a stockholder. There is no legal way by which the stock, and therefore the control of the corporation, can be confined to the membership after the stock has once been issued, unless the association is able to take over the stock and hold it as a trustee, until it can be re-sold to a member. Neither is the voting power of the stockholders under control in a stock corporation, because the voting power is generally proportional to the number of shares held by each stockholder.

As a matter of fact most of the so-called co-operative associations of the country have been incorporated as capital stock corporations in the absence of other statutes under which they could be incorporated and many of them operate by mutual agreement expressed in the articles of incorporation, or in the by-laws, on strictly co-operative principles; others vote in accordance with stock ownership, fix a maximum amount of stock to be owned by any member and apportion the stock on the bearing acreage of the members, but make no profits on capital. These organizations usually provide that a withdrawing member shall offer his stock to the association before he can sell it outside, a provision that is useless if the association is not able to take it over.

They may provide also that all the earnings shall be returned to the members prorated on the business transacted by each after interest is paid on the capital invested and other overhead charges are deducted. The stockholders may vote equally by agreement and the capital invested may be paid only a fair rate of interest for its use.

The difficulty in such organizations lies in the fact that some of the conditions to which they agree are not, in case of trouble, enforceable in the courts, and the organization ceases to be co-operative when the stockholders desire for any reason to exercise their legal privileges along non-co-operative lines.

As a result of organizing a so-called co-operative association under the usual stock corporation laws, many of these organizations often pass into the hands of non-producers or of rival interests, following the withdrawal of members through the sale of farms and the sale and transfer of stock; or a partial control may be held by dissatisfied stockholders who have withdrawn as members.

NON-PROFIT CORPORATIONS.

In other states, especially in California, the statute provides for the incorporation, organization, management and co-operation of agricultural, non-profit associations which do not have capital stock and whose business is not carried on for profit. These associations issue certificates of membership to each member but the membership cannot be transferred or assigned to any other person, nor is the purchaser of a property of a member entitled to membership by virtue of such purchase. In such associations the basis of voting and the control of the membership is subject to rules made by the association. These associations may accumulate a capital with which to transact business though the capital is not in the form of a paid-in capital stock. It may be accumulated pro rata from the proceeds of the shipments of the members, or in any other way agreed to by the members.

In Nebraska co-operation has been defined and given a legal status. The law says, for the purpose of this Act, the words "co-operative company, corporation, or association" are defined to mean a company, corporation or association which authorizes the distribution of its earnings in part or wholly, on the basis of, or in proportion to, the amount of property bought from or sold to members, or of labour performed, or other service rendered to the corporation. It differs from the general incorporation law of Nebraska by providing that every co-operative corporation has the power "to regulate and limit the right of stockholders to transfer their stock; and to make by-laws for the management of its affairs; and to provide for the distribution of its earnings."

In Wisconsin, a law was passed in 1911, chapter 368, laws of 1911, which provides for the formation of a "co-operative association, society, company or exchange, for the purpose of conducting agricultural, dairy, mercantile, mining, manufacturing or mechanical business on the co-operative plan." It "may buy, sell, and deal in the product of any other co-operative company heretofore organized or hereafter organized" as a co-operative association. The law provides that "no stockholder in any such association shall own shares of a greater par value than one thousand dollars . . . or be entitled to more than one vote." It provides that the directors shall apportion the earnings, subject to revision by the association at any time, "by first paying dividends on the paid-up capital stock not exceeding six per centum per annum, then setting aside not less than ten per centum of the net profits for a reserve fund until an amount has been accumulated in said reserve fund equal to thirty per centum of the paid-up stock, and five per cent thereafter for an educational fund to be used in teaching co-operation, and the remainder of said net profits by uniform dividend upon the amount of purchase of shareholders and upon the wages and salaries of employees, and one-half of such uniform dividend to non-shareholders on the account of their purchases, which may be credited to the account of such non-shareholders on account of capital stock of the association; but in productive associations such as creameries, canneries, elevators, factories, and the like, dividends shall be on raw material delivered instead of on goods purchased. In case the association is both a selling and a producing concern, the dividends may be on both raw material delivered and on goods purchased by the patrons." The law

provides that no corporation or association doing business for profit shall be entitled to the use of the term "co-operative" as part of its corporate or business name unless it has complied with the provisions of the Act.

FURTHER DIFFICULTIES IN THE STOCK CORPORATION FORM OF ORGANIZATION.

One of the common difficulties in a so-called co-operative association formed as a stock corporation results from the payment of dividends on the paid-in capital above a fair interest for the use of the capital, especially where the capital contributed by the members is not proportional to their individual shipments. The tendency in such organizations is to pay high dividends on the stock. The stockholders generally demand an unusual earning on the capital contributed. They acquire the dividend habit. They deduct an amount from the proceeds from the product of all members, or from the earnings of the company, to pay the dividend, before returning the proceeds to the growers. In some fruit growers' organizations, dividends of 20, 30 or even 50 per cent have been paid on the capital stock.

The difficulty over the payment of dividends usually arises with a member who is a small stockholder and at the same time a large shipper, or when a stockholder ceases to be an important shipper. A grower becomes dissatisfied when he realizes that the payment of a profit to capital, whether taken from the proceeds of his fruit, or made as an earning on his purchases, are used to enrich a stockholder who has money invested in the corporation, but who has not contributed to its success except in the original investment. Another source of trouble in the stock corporation is that the grower becomes dissatisfied after receiving a liberal dividend on his stock, if the business condition of the organization does not warrant its continued payment. In the citrus industry these difficulties have usually been avoided by paying no dividends on the capital, or at least a dividend not in excess of the customary rate of interest.

A farmers' organization that has been organized under the usual stock corporation laws, is on an uncertain foundation, not alone from the lack of control of the membership, but also because of the conflict between the capital and the product of the members whenever the proceeds derived from the latter are reduced to pay an unusual rate of interest on the capital contributed.

There are many so-called co-operative organizations (shrewdly formed) that make an earning for the corporation on the product of the grower by retaining the control of the facilities through which the growers' fruit is handled. The packing houses may be controlled by the organizers and a large dividend paid out of the proceeds of the product on the capital invested. The purchase of supplies may contribute a profit, low grade supplies may be sold at the price of high grade material, and profits may be made in many other indirect ways. An organization that pays a profit to capital from the growers' product, either from the use of packing facilities or for any other service, is not co-operative. It is a stock corporation, operating for the grower for profit on capital, while a co-operative organization is operated by the producers wholly for their own benefit, the benefits being pro-rated on the use which the member makes of the organization.

A CO-OPERATIVE ORGANIZATION MUST SPRING FROM NECESSITY.

A co-operative organization of farmers must be founded on economic necessity if it is to be permanently successful. The reason for its existence must lie in some vital service which it is expected to perform if it is to have strength enough to live in the face of the competition to which it will instantly be subjected. It must compete with existing organizations and this competition will be directed towards eliminating it; it will be viciously attacked; every conceivable form of misrepresentation will be levelled against it; the officers will be attacked by insidious rumours concerning their ability or integrity; the banks, especially in the newer sections,

may be controlled by competitors, and may refuse to furnish the necessary credit; and every weapon known to competition, either legitimate or disreputable, will be used to put it out of business.

The average producer is not a business man, nor is he skilled in the arts of competitive business. He is naturally a strong individualist. He is slow to delegate authority over his affairs to any one, and when he is face to face with the skilful arguments of those who aim to break the organization and keep him working as an individual, he is likely to weaken and finally leave the organization unless he had felt the effect of hard times, a helplessness arising from a combination of those who buy or sell his products, excessive freight, or commission charges or other forms of oppression. It is an historical fact that the investment of the farmer must have been threatened by existing conditions before he has been able, in the past, to overcome his individualism sufficiently to work with his neighbours in co-operative work. The country is strewn with the wrecks of co-operative organizations that were born prematurely and which died by the wayside, because the farmer himself deserted in the first real conflict with the established agencies that have handled his business. Co-operation, to be successful, must be founded not only on economic necessity, but it must grow through gradual evolution. It must have a small beginning and grow in strength through experience step by step, rather than by leaps and bounds. The fundamental mistake that is being made in many localities is to form a farmers' organization all at once on the plan of an organization that has taken years to develop. The plan may be sound but a co-operative organization can only succeed when given the unflinching support of the members who through years of experience have acquired an appreciation of the fundamentals that underlie a successful association of this kind. The success of any organization depends on its members, not on its form.

THE MEMBERSHIP IN A CO-OPERATIVE ORGANIZATION.

The membership in a co-operative organization should be confined exclusively to those who are producers and who, as producers, use its facilities. The members should be acquainted and have confidence in each other. It should never include those who contribute capital alone to it. Many organizations are formed by bankers, fruit dealers, or others who promote an organization for the purpose of making a profit from it. They may be formed in good faith by business men who realize the value of the co-operative movement and who are willing, as a service, and not for profit, to furnish the capital for its organization. The need for such an organization must spring from within, from the necessity of the industry, and not from a desire of a commission merchant, a broker, or of an ambitious manager who sees an opportunity of capitalizing the co-operative movement for his personal benefit. There are many organizations of the latter type that masquerade under the co-operative banner, but which are formed, managed, and controlled either directly or indirectly by those who make a profit on the packing organizations, on the sale of fruit, on the purchase of supplies, on railroad claims or trade rebates, or in other indirect ways. Such organizations are always kept prominently before the growers as co-operative, a situation which, when it exists, is almost prima facie evidence that the co-operative features are for the benefit of a few, rather than for all the members.

Membership in a co-operative organization should carry with it a responsibility on the part of the member strong enough to carry it through adversity of every kind. To feel this responsibility, the member must, of course, feel the necessity for the organization; he must feel he is a part of it; that the organization is his, developed and managed to promote and protect his interests. If the association is formed by the members to meet their economic needs, this feeling of responsibility pervades the membership, but if the association is formed to promote the welfare of the officers or any other class of people, or if financed by well-meaning people who really desire its success, an association cannot depend on the loyalty of its members in time of adversity.

One of the problems that a co-operative association always has before it is keeping alive the interest of its members. They must be a vital part of the organization. They must take an active part in its development. They must keep posted on the details of the business; the business methods of the organization must be an open book to them. There can be nothing mysterious about the management of the business. Contracts, salaries, trade or other legitimate rebates, railroad claims, profits, or earnings of every kind—these must be of such a nature that every producer can know about them if a co-operative association is to maintain the loyal support and confidence of its members. It must, of course, win that support by the results it accomplishes, and these results must be obtained by a business record that keeps free from suspicion regarding the integrity of its methods, and as free as possible from criticism regarding its business efficiency. Every defect of the organization will be kept before the members by its competitors and imaginary defects created by wilful misrepresentations by those whose aim to break down the membership, will always be prominently featured.

VOTING POWER OF MEMBERS.

In a strictly co-operative organization a fundamental principle should be "one man, one vote." It should be a real industrial democracy in which the members trust each other and lean upon each other's judgment as men. In such an organization neither the capital contributed, nor the volume of business transacted should be the basis of the responsibility or influence of the individual member, because neither can co-operate or be made a basis for lasting co-operation. In the European co-operative associations the "one man, one vote" principle is applied as a test to separate the true co-operative associations from the pseudo co-operative. Since co-operation is founded on man, not on capital nor on products, there is no fundamental difference in principle where capital is eliminated and product is substituted as the basis of voting and control. The control of a co-operative association should be founded on the equality of membership, whether the member contributed a large or a small volume of business. It is the members who, as men, co-operate in these organizations. The history of the co-operative movement in Europe and in California shows that this fundamental basis is sound. In the latter state, one organization, the California Fruit Growers' Exchange, which was formed as a stock corporation, but which operates strictly on co-operative principles, handles a business of twenty million dollars, more or less, annually on the "one man, one vote" principle of voting. The directors each represent a business that varies widely in volume and in value, but the "one man, one vote" principal of representation has stood the test of business experience and has been one of the foundation stones on which the success of this organization has been built. The directors reserved the right when they organized to vote pro rata on the shipments represented by them, but this method of voting has never been used in twenty years of business experience. The California statute governing the non-profit corporations without capital stock permits the voting power of members to be equal or unequal. In many of these organizations the voting power and property rights of the members is proportional to the contribution which each makes to the investment necessary for operation, the by-laws in some citrus fruit organizations providing that "members will contribute to the investment necessary for operation in true proportion to the number of bearing acres of citrus orchard owned or controlled by each member respectively bears to the whole number of bearing acres for which citrus fruits are delivered or engaged to be delivered to the association any time during the year such memberships are issued." Even with such a provision in the by-laws, the "one man, one vote" principle is generally used in voting on the business operations of the organization.

There is a strong sentiment against the "one man one vote" principle of voting when first presented to the average producer. The large producer fears control by smaller interests; the small landholders, domination by their larger neighbours.

The history of the co-operative movement, both in Europe and in the United States, shows clearly that this adverse sentiment is a prejudice rather than an actual weakness in practical operation. Equality of membership strengthens the desire to co-operate, and men work together in business harmony just as they do now in the equal control of churches, schools and in governmental responsibilities.

MEMBERSHIP AGREEMENT.

A co-operative organization to be successful must be held together by a membership agreement or contract holding the members together for business purposes. In no other way can an association attain that degree of stability that is necessary in a business undertaking. The association must know definitely what it is expected to do, the volume of business to be handled, the expenses to be incurred and the preparation necessary to transact its affairs in an orderly, economical manner.

Voluntary membership is usually suicidal in a co-operative association. In the last analysis the association can only succeed when the average member believes that the co-operative principal is sound; and that conviction must be strong enough to hold the members together when their opponents attack them insidiously and persistently. This faith must be founded on the sound business results of the organization, as well as on its larger influence on the development of the industry as a whole. Unless the benefits of the organization are large enough to keep the organization intact, the members cannot be held together indefinitely by any form of contract; but the human nature of the average farmer has not evolved to that ideal point when a temporary advantage offered him by his opponent may not blind him to the permanent advantages of the association to which he belongs. A membership agreement is a steadying influence on a grower who might be led astray by misrepresentation or by temporary dissatisfaction. Then, too, there are large numbers of farmers who are opportunists. They have no interest in the industry as a whole. They are interested only in their own immediate success. In handling their crops they are rampant speculators. They allow a sharp-shooting marketing policy, trying to hit the high spots presented by an association, a buyer, or a commission merchant, and giving but lukewarm allegiance to any individual or association. The opponents of the co-operative system understand this psychological trait perfectly, and unless the producer has formally bound himself to his association by a definite contract to handle all his produce through it for a given period of time they draw heavily from the membership by promising a larger return, or by playing upon his prejudices in other ways. It is an historical fact that a large proportion of the troubles and failures in the co-operative movement have been due to the irresponsibility of the membership whenever an association has been subjected to fire; and no one not experienced in the movement can have any conception of the degree to which misrepresentation, insinuation and other modes of creating disaffection are persistently kept before the co-operative producers by those who make an abnormal profit when the farmers' product is handled individually. The same kind of misrepresentation is used in building up one association as against another when those who handle the business of a co-operative association are interested in profits, or derive their compensation from the volume of business handled.

THE MANAGEMENT OF A CO-OPERATIVE ASSOCIATION.

The success of a co-operative organization depends primarily on the loyalty and stability of the membership; it depends further on efficiency in management. Efficiency in management cannot exist without stability of membership; nor can it be developed unless the members appreciate the necessity of providing an efficient management. The difficulty in most co-operative organizations is the lack of appreciation of the need of a high order of organizing and business ability on the part of the employees of the association. The common failure of co-operative associations

is usually attributed to inefficient management; as a matter of fact, it is due to the membership itself, which has fallen short in securing skilful employees. The individual producer is likely to gauge the requirement of management by the size of his own business. He falls short in his estimate when he acts on a board of directors and is charged with the responsibility of providing a management to handle successfully a collective business. Inefficient management is a measure of the degree of business efficiency of those who are charged with the direction of the affairs of the association; and unless the membership will sustain a board of directors in employing men of a high order of ability a co-operative association is short lived.

The management of a co-operative organization is more difficult than that of an ordinary corporation. The stockholders, not being experts in the affairs of the latter, do not often take an active interest in its details. The producer, on the other hand, is vitally interested in his own business and he is likely to take an active part, at least in giving advice concerning the conduct of the business. This is one of the most valuable assets in a co-operative organization if the manager is big enough to utilize it. Through the knowledge of the producer in the affairs of his association his interest and sympathy can be kept vital. If the management becomes autocratic, the interest of the member dies; if it is not big enough to work out a broad, progressive business policy, using such suggestions as are made by the producers in addition to its own knowledge and experience, it in turn loses its connection with the association. A management must possess tact, constructive ability, foresightedness, fearlessness in the conduct of the business and a clear conception of the real underlying purpose of the organization, if it is to succeed. The integrity of the management must be beyond reproach; it must be free from entangling business alliances; it must be free from the participation in any secret profits arising directly or indirectly from handling the business of the organization; in short, the dealings of the management with the organization must be an open book, free from questionable business practices of every kind. The influence of the management, next to the loyalty of the members, exceeds all other influences, and the success of a co-operative association depends on its working out in mutual confidence an efficient business system that is able to meet successfully all conditions as they arise.

A CO-OPERATIVE ORGANIZATION SHOULD BE FOUNDED ON A SPECIAL CROP.

A co-operative organization should be founded on a special crop and the locality in which it handles the product should be comparatively restricted. Special industries involve common problems to be solved by the producers, similar difficulties to overcome, similar trade practices, and similar trade connections. The members of an organization that is formed to handle fruit, vegetables, poultry and general farm crops have no common ground on which to stand, and these general associations have not been successful up to the present time because the membership cannot be held together. The citrus fruit growers of California are all interested in increasing consumption, in extending markets, in reducing the cost of distribution and marketing, in securing reasonable transportation costs, and in the same public policy questions that affect the industry. They have, therefore, developed a vitality in their organizations that have been attained in no other agricultural industry in America. An organization founded on different crops, on the other hand, has a series of totally different problems to meet at one time, different business connections to form and different classes rather than one class of opponents to meet.

A CO-OPERATIVE ORGANIZATION MUST DEVELOP THE INDIVIDUALITY OF EACH LOCALITY.

To be successful a co-operative association must sustain and develop the individuality and initiative of the different localities in which it operates. The unit of the organization must, therefore, be a locality in which the soils, the climate and other conditions produce a similar grade of product. If the products vary widely in

colour, texture, form or in other character, on account of the conditions under which they are grown, the producers cannot be held together because the grades cannot be made similar. The attempt to have a single organization over a wide territory is, therefore, likely to fail. No amalgamation of the farmers of different localities in a common organization has ever been successful. On the other hand, the orange growers of one locality, or of similar parts of a locality which produce similar grades of fruit, may organize to prepare their product for market under distinct local brands. Those of another may do the same thing, and a large number of local units may be formed as long as the unit embraces a product of similar grade and character. Then as a matter of economy and efficiency these local units may federate and create a central agency through which they handle their common problems. But each local unit preserves its local character and develops its local pride and reputation by selling its product under a brand that is the exclusive property of the local association. In addition to its local brand it may also add a brand of the central agency in order to give it greater selling power in all parts of the country; but no local unit should use the brand of a central agency exclusively, without using its own brand at the same time.

HANDLING, GRADING, AND PACKING.

The outcome of a co-operative organization formed to handle the growers' product will succeed or fail on the skill and integrity with which the product is harvested, handled, graded, and packed. The limits of this discussion will not permit this part of the subject to be handled in detail. A few fundamental principles, however, can be stated:

1. In the average association the individual grower does not possess sufficient skill to harvest, handle, grade or pack his products carefully, uniformly or attractively enough to permit the association to establish a standard of quality and therefore acquire a reputation for its brands or grades. A uniform standard of quality in the brands shipped by an association is fundamental to success. This seems like an axiom, but the fact is that this is the rock on which many co-operative organizations have been dashed to destruction. Poor handling in harvesting, improper handling in preparing the product for sale, careless or dishonest grading, or lack of skill and knowledge in grading and packing—these are common rather than unusual conditions in the conduct of many co-operative associations where the handling of the product is controlled by the individual members. The output of an association, therefore, acquires no stable merchandizing value. The brands are not a guarantee of quality.

2. A reputation for uniformity in grading and packing can only be acquired when the product of all of the members is handled under uniform conditions. The standardization of a product can result only from standardizing its handling, grading, and packing.

3. A uniform product can be established by having the product of the individual members handled by the members, under the supervision of the association, or for members by the association. The former method is employed successfully in some deciduous fruit associations; the latter is the usual method in the citrus fruit associations. The conditions which lead to either method are local as well as those of the industry in question. In the citrus industry the crop is harvested over a long period of time and is comparatively non-perishable. It is possible therefore to systematize the methods of handling, to assemble the product in a central packing house, and to grade and pack it under standard rules. Without this standardization of handling, grading, and packing no co-operative association can acquire an asset in the reputation of its brands. With standardization it can acquire a reputation which makes its output sought after and for which the trade will pay a premium. A practical difficulty in handling a co-operative association lies in the fact that every member thinks that he produces a product that is the equal or superior to that of every other member. The handling of this condition is one that tests the tact of the most successful manager. It is a practical condition, however, and not a theory, that must be met with firmness, with justice and with patience by every co-operative association.

APPENDIX No. 34.

(*Monthly Bulletin of Economic and Social Intelligence, April, 1913.*)

FRANCE.

AGRICULTURE CO-OPERATION IN FRANCE—GENERAL INTRODUCTION.

Agricultural co-operation of late years has made such rapid progress that economists in every country have endeavoured to define with precision the nature and significance of a social movement which, before their own eyes, we may say, has effected a rapid and radical change in the organization of rural life.

The International Institute of Agriculture has been well advised in taking into consideration this problem, the solution of which demands methodical and careful study of the co-operative movement in agriculture. We must recognize the value of the economic distinction adopted by the Institute which separates co-operative societies (that is those societies whose object is provision for the economic needs of their members through the creation of common funds of capital and labour, or, through some system of mutual obligation) from other forms of organization.

In France, however, this distinction alone does not seem sufficient to enable us to give a clear definition of agricultural co-operation as it is found spread over the whole country. On a closer analysis it becomes evident that the distinction has been based only on the professional position of those co-operating. Thus an essential element has been neglected in not taking into account the special aim of all agricultural co-operative societies, which, directly or indirectly, must always be the promotion of agricultural production. Neglect of this must inevitably create confusion between agricultural co-operative societies and the other groups which, though like them composed exclusively of agriculturalists and even adopting a co-operative form, cannot be considered as purely agricultural. These societies work in the interest of their own members, not so much as agriculturists, but as consumers and in other characters apart from their professional one. Certain societies, those for instance for the purchase on advantageous terms of food, clothing and other supplies for their members, might, without acting contrary to the purpose of their operations, include many who are not agriculturists.

Widening our view by taking into consideration this underlying aim of agricultural production and noting the important principle of solidarity which in greater or lesser degree unites the members of an agricultural co-operative society in mutual liability, a clear definition of the conception and role of agricultural co-operative societies has been attempted in France. These societies, notwithstanding the differences in form and the varying degrees in which they present their essential characteristics, it seems possible to divide into four principal categories:

- 1st. Co-operative purchasing societies, generally called syndicates;
- 2nd. Co-operative insurance societies;
- 3rd. Co-operative credit societies;
- 4th. Co-operative societies for production, adaptation, preservation and sale.

If we begin our study of the agricultural co-operative movement in France with the consideration of the fourth class, we shall find a new factor of great importance to its development and more generally to the whole of French co-operation. This factor is the law of October 29, 1906, supplemented by the administrative order of August 26, 1907, which for the first time in French legislation, determined the characteristics

of co-operative agricultural societies. Although thus recent, this law is in full force, and we may expect a continuation of the good results of its action during the few years of its existence. What these results are, we shall here try to show.

A. CO-OPERATIVE SOCIETIES FOR PRODUCTION, ADAPTATION, PRESERVATION AND SALE.

Agricultural co-operation originated in France at an early period; it is said that even in the 12th century, there were fruit-growing and cheese-producing co-operative societies. In agriculture, as in other trades, co-operation has long existed with very different objects. But in the French law, there is no special statute to regulate societies called co-operative or to frame their organization. A bill on the subject passed the Chamber of Deputies but the Senate suspended the discussion in 1896 and it was never resumed.

At present co-operative agricultural societies are subject to the common law regarding societies. They are regulated either by articles 1,832 to 1,873 of the Civil Code, or by the Commercial Code and the Laws of July 24, 1867 and of August 1, 1893. They vary as to their legal form, the prevailing forms being that of civil societies and that of limited liability companies, with variable capital. The first of these has the advantage of requiring few formalities for the constitution of the society and of leaving to its members the greatest amount of liberty for drawing up its rules and organizing its administration. On the other hand, every member is responsible to the extent of his property for the obligations of the society and from this nothing can absolve him except a thirty years limitation. Limited liability companies with variable capital are, on the contrary, subject to exact and minute regulations as regards their constitution and administration. It is necessary to protect the rights of the third party, for the members are responsible for the debts of the company only up to the amount of their shares.

Under the common law, peasants have constituted many co-operative societies for the adaptation and sale of their produce. They must adjust themselves to the new conditions of modern cultivation and small cultivators must perfect their methods of working to meet the scarcity of labour and to find markets for their crops, if necessary even at long distances. Under these circumstances agriculturists can no longer stand alone but must seek in association the most effective means of overcoming their difficulties.

At present the number of co-operative agricultural societies for production, preservation, adaptation and sale may be calculated approximately at more than 2,600, including about 1,800 societies for the sale of fruit, 500 dairies, 80 societies for the manufacture or sale of wine and for distilling, 20 oil factories, 40 starch factories, threshing societies, etc. These societies, being freely constituted by private initiative, it is not easy to obtain precise information as to their modes of working and the advantages they offer to their members, but their number at least indicates the spread of the co-operative idea in the rural world.

So important a movement could not but attract the attention of the public authorities, and a law for its protection and guidance was passed on December 29, 1906. This law purports to be a mere addition to the law of March 31, 1899, which established the Regional Agricultural Co-operative Credit Banks, and enabled them to obtain, by way of advances free of interest the advance of 40 million francs and the annual dues paid into the treasury by the Bank of France in virtue of the law of November 17, 1897. By the law of December 29, 1906, the government may "deduct from the annual dues and forward gratuitously to the Regional Banks special advances intended for the co-operative agricultural societies and repayable within 25 years." These advances must not exceed one-third of the dues paid annually by the Bank of France. By article 3 of this law, "The Regional Banks shall receive from the co-operative agricultural societies on the advances made through them, an interest fixed by them and approved by the Government after information received from the Com-

mission referred to in Art. 5." According to Article 4, "only those co-operative agricultural societies which are composed of the whole or a part of the members of one or more professional agricultural syndicates may receive advances, whatever may be their legal form. Such advances must be made with a view to effect or to facilitate transactions concerning the production, adaptation, preservation, or sale of agricultural produce coming exclusively from farms belonging to members or concerning the carrying out of agricultural works for the general good, but the aim of the society must not be commercial advantage." Another article determines the composition of the Consultative Committee for the division of the funds advanced and Article 6 fixes the maximum of these advances at double the amount of the paid-up capital of the co-operative societies which contract the loan.

These are the provisions of the law of 1906, the construction of which is very simple, so that it is easy to ascertain the essential principles which have inspired the legislature. Of these the first is that the societies desiring to benefit by the law must be strictly professional in character, and must be exclusively recruited from among members of agricultural syndicates. Another is the granting of assistance and encouragement to private initiative while stimulating it to further effort. The law grants advances to be repaid by a certain date, and not gratuitous assistance. To furnish capital at a low rate to co-operators is to supply them with the means of carrying on genuine undertakings. But they must not forget that the society can only carry on reasonable and profitable undertakings which result in lasting work for the benefit of the members and permit of the due repayment to the state of the sum borrowed in order that it may serve for a new enterprise. This feature of the law is emphasized by the provision which fixes the ratio of the amount advanced to that of the capital paid by the members, that is to say, to the personal effort that they have made. But the legislature, while appropriating to professional groups sums belonging to the community was not encouraging collective self-seeking, nor injuring legitimate interests. It showed clearly that the co-operative societies which borrow should not do so for gain nor should they accept any produce except that sent from farms belonging to members. It has especially indicated the spirit of the law by stipulating that those benefited must make it their object to facilitate the production, adaptation, preservation, and sale of agricultural produce, or the carrying out of works of general utility. It thus encourages a branch of national industry, increases agricultural production, and contributes to the prosperity of the country. Finally, this law leaves to agricultural co-operative societies that apply for a loan the right of choosing as hitherto their legal form, thus providing safeguards for private initiative while supplying means for effective action.

It need hardly be said that the liberty of co-operative societies to which advances have been made, is not left uncontrolled. The decree of August 26, 1907, has defined with precision the guarantees required by the state from societies which contract loans: the shares must be held in the members' own names, must be reserved for agriculturists, and must not bear interest higher than 4 per cent; the members, or at least some of the members of the committee, must conjointly be answerable for engagements undertaken by the society towards the state; mortgages must be registered for the benefit of the state on real property purchased or reorganized with the sum advanced. The loan is also guaranteed by the intermediary Regional Bank, and the accounts and the management of the co-operative society are placed under the control of the Ministry of Agriculture.

The law of 1906, supplemented by articles 25 and 31 of the financial law of the April 8, 1910, by which agricultural co-operative societies are exempted from the tax on personal property and from licensing fees, exercises on agricultural co-operation a vast and daily increasing influence. The peasants were not slow to understand the immense advantage which they would derive from these concessions offered by the state to agriculture, and it may safely be stated that the transformation of

cultivation in France is in great part due to the law of 1906, the application of which is becoming more widely extended. In 1908, 23 societies obtained loans; 43 in 1909, 73 in 1910, 78 in 1911, 105 in 1912. In 1908 the loans amounted to 964,325 francs; in 1909 to 1,157,250 francs; in 1910 to 2,284,265 francs; in 1911 to 2,364,280 francs, and in 1912 to 2,689,014 francs. At the close of 1912, 293 co-operative societies had benefited at least once by the law. These loans have been granted to societies with widely differing aims, and the law has been extended to every kind of co-operation to which it could be applied. It is especially interesting to see the work accomplished by this law in every branch of agriculture, and to judge of its results, whether in renewing the activity of old societies by supplying them with the means of adapting themselves to the conditions of modern production, in reviving languishing societies, or in facilitating the creation of new societies which shall assure to the cultivators the benefits of the recent improvements in agricultural implements.

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The law of 1906 has probably had most effect in encouraging the formation of societies for the employment of agricultural machinery. Perhaps it is not too much to say that it is only through this law that such societies have arisen in France, and this is not surprising. Cases do arise, it is true, where producers are driven to form them upon pain of losing the entire fruits of their labour if they neglect to do so, but, on the other hand, the benefits derived from them are often less evident and more remote. Without speaking of the force of habit, it must be admitted that the cultivator has not a clear notion of the value of time or labour. It needed the increase in wages paid to agricultural labourers and, above all, the scarcity of labour to make the importance of machinery in the cultivation of small holdings evident to the peasant. Every member of these societies had also to learn to regulate his work in accordance with that of his fellow-members, and to realize that the necessary machinery is not exclusively for his own use. To prepare the way for the establishment of co-operative societies for machinery, disinclination and established customs had to be overcome in the peasant before the idea of combination took root in his mind. Another difficulty also had to be met; it had reference not only to the distribution of profit or loss in connection with sales effected in common, but also to the outlay of capital in the purchase of machines not yet proved or well understood, and viewed therefore with suspicion by the average peasant. To train these cultivators, it was indispensable to require them at the beginning to disburse large sums, at the same time giving them every assurance that the public authorities were so fully persuaded of the advantages and profit to be derived from the use of machinery in agriculture, that the state was prepared to grant credit on the results. The first step thus taken, the co-operative societies for the use of machinery rapidly increased in number and these establishments, small at first, now rival the larger in the possession of traction-engines, of threshing machines, winnowers, elevators, feeders, propellers, sowers, sorters, reapers, manure-spreaders, corn-sifters, husk-separators, sack-fillers, binders and other machines.

APPENDIX No. 35.

AN EXPLANATION OF THE PROVISIONS OF THE AGRICULTURAL CO-OPERATIVE ASSOCIATIONS ACT OF SASKATCHEWAN, 1913.

INTRODUCTION.

It is now generally admitted that organization is essential to success in practically every phase of industrial activity. Manufacturers, financiers and the others commonly called the "business classes," have long since accepted this as a fundamental principle in their operations, and the farmers of our country are rapidly awakening to a realization of the fact that the business of farming, both in production and marketing, must be placed on an organized basis if agriculture is to hold its own with other lines of industry.

Realizing that individual effort would be of little avail against the forces opposed to them, farmers have grasped the idea that as farmers their interests are identical and that in co-operative effort, each helping the other and all working together, lies their hope of success.

How to market our grain crop so as to obtain its full value was for years the chief problem confronting western farmers. No solution was found until the farmers of the province united to bring into being the Saskatchewan Co-operative Elevator Company, through which they could place their grain on the markets of the world. This at first despised and ridiculed organization, has during the few years of its existence made such rapid progress that it is to-day the largest initial grain handling concern in Canada, and its financial success has demonstrated the soundness of the co-operative principle.

Noting the success of co-operative grain marketing, local grain growers' associations in many districts adopted the co-operative principle in purchasing binder twine, building and fencing material, and other lines of farm supplies. These ventures proved highly satisfactory, but as the associations had no legal status each member was individually liable for any debts which the association might contract. This led to a widespread desire among farmers for the enactment of such legislation as would facilitate the organization of co-operative associations, for the production and marketing of farm products, and the purchasing of farm supplies, in which shareholders should enjoy limited liability as do shareholders in joint stock companies.

To provide for the organization and registration of such associations, The Agricultural Co-operative Associations Act was passed at the 1913 session of the Provincial Legislature, an officer of the Department of Agriculture was appointed Registrar of Agricultural Co-operative Associations, and this leaflet explaining the provisions of the Act has been prepared to aid associations in organizing.

EXPLANATION.

What is an incorporated agricultural co-operative association?

An incorporated agricultural co-operative association is a group of farmers, who being desirous of uniting together for some commercial purpose incidental to their business, have complied with the provisions of The Agricultural Co-operative Associations Act, and have, as a group, been invested with legal status and authorized to own real estate and other property, to transact certain lines of business and in other ways to have the rights and privileges enjoyed by individuals.

What lines of business are these co-operative associations authorized to conduct?

Three distinct lines of business are open to the associations. They may produce live stock, grain, vegetables or any kind of farm products, they may market the live stock and other farm products which the shareholders or others have produced, and they may purchase farm supplies for shareholders or others. (Section 4.)

Can one association engage in all of these lines of business or must each association confine its activities to one line?

It is entirely optional with each association which and how many of the lines of business it will undertake, but each association is authorized to conduct only such lines of work as are stated, in its memorandum of association, to be the objects for which it is formed.

Explain this more fully. Give an example.

One association might state in its memorandum that its object was the production and sale of pure bred and high grade Shorthorn cattle. This would be a producing and marketing association, but its activities would be limited to the production and sale of pure bred and high grade Shorthorn cattle, and it could not legally produce or market other farm products or engage in the purchasing of farm supplies. Another association might state that its object was the marketing of farm products. This association could market live stock or any kind of farm products, but it could not purchase and maintain pure bred sires for the use of its shareholders, nor yet purchase supplies. A third association which stated that its objects were "To produce and market farm products and purchase farm supplies," could produce any kind of cattle or other farm products, could market all kinds of produce and could also engage in a purchasing business. It would cost no more to incorporate an association which included all the purposes for which associations may be incorporated than to register an association including only one, but once an association is incorporated it can conduct only such lines of business as are specified as its objects in its memorandum of association.

What benefit do shareholders derive through having the association incorporated?

Through the incorporation of the association, the shareholders secure the privilege of limited liability, that is, each shareholder in an incorporated association is only liable for the debts and liabilities of the association to an amount equal to the amount unpaid on the share or shares for which he has subscribed. If his shares are fully paid up he has no further liability; even if his shares are not fully paid up he is not liable to an action until an execution at the suit of the creditor against the association has been returned unsatisfied in whole or part. (Section 12.) In addition to this the association will have continuity of existence, as shareholders will continue to be shareholders until they sell their shares, or its affairs are wound up and there will be no annual membership fees to pay. Moreover, as a shareholder in a co-operative association, each man will have an equal voice in directing the affairs of the concern, and will be in a position to gain much information and experience which will be of value from an educational and social, as well as from a financial, standpoint.

How many shareholders must each association have?

Five or more persons, upon complying with the provisions of the Act, may be registered as an agricultural co-operative association. (Section 4.)

What capital must an association have, and into what number of shares must it be divided?

No set amount is required by the Act; it depends entirely upon the line or lines of business which the association purposes undertaking. A marketing association which does not purchase produce, but simply assembles shipments and forwards them to market, defraying the expense of marketing by levying a commission on the price received, requires only a small capital, say enough to furnish an office, purchase a weigh scale, equip stock yard, etc. A capital stock of \$500 divided into 250 \$2 shares should suffice, and all of this need not be subscribed before business is started. If the association purposed breeding live stock, it would be necessary to purchase a number of pure bred sires. If four or five pure bred bulls were needed, it might be

well to set the authorized capital at \$1,000, divided into 40 \$25 shares. On the other hand if an association intended to go into a purchasing business, buying farm supplies in carload lots, a paid up capital of \$1,500 to \$3,000 might be necessary and a larger amount could be used to advantage. The authorized capital for such an association might be set at \$10,000, divided into 200 shares of \$50 each.

The amount of capital and the value of shares should be regulated by the requirements of the business to be conducted and the number of shareholders it will be possible to secure. This matter is entirely in the hands of the association, and the authorized capital may be increased or decreased from time to time by bylaws of the association. (Section 7.)

What is meant by the terms Authorized Capital, Subscribed Capital and Paid Up Capital?

The authorized capital of an association is the amount set forth in its memorandum of association, and beyond which it has not the right to sell stock. The subscribed capital is the par value of the total shares sold; the paid up capital is the amount which has actually been paid on the shares sold.

Do not shares have to be fully paid for when bought?

That is a matter which each association decides for itself, shares may be made payable by instalments at such times as may be determined by bylaw of the association. (Section 9.)

Are the shares transferable?

Yes, shares may be assigned or transferred, or the association may repurchase shares, but no such assignment, transfer or repurchase is valid unless and until approved and authorized by the directors of the association, and no such transaction may be approved by the directors if it would reduce the number of shareholders below five, or the number of agriculturists below seventy-five per cent of the total shareholders. (Section 11.)

How is the voting power of shareholders determined?

At association meetings each shareholder has one vote only regardless of the number of shares held by him. (Section 14.)

Does each association draw up its own by-laws?

All associations incorporated under The Agricultural Co-operative Associations Act are governed by a set of standard by-laws, which have been prepared by the registrar of agricultural co-operative associations and approved by order of the Lieutenant Governor in Council. These provide for the holding of meetings, annual and special, the number, election and duties of officers, an annual audit of accounts and such matters of a routine nature. Copies of the standard by-laws may be obtained free upon request from the Department of Agriculture, Regina. (Sections 6 and 28.)

But what provision is made for the regulation of matters which are of a more local nature?

Each association has power to pass such supplemental by-laws, not inconsistent with the provisions of the standard by-laws, as may be deemed advisable by the association. These supplemental by-laws, however, do not become operative until examined and approved by the registrar of agricultural co-operative associations. (Subsections (2) and (3), section 6.)

What matters would remain to be provided for in the supplemental by-laws?

Each association should pass a supplemental by-law regulating the number of directors which the association shall have. (The standard by-laws provide that there shall be three, six or nine directors as the individual association may determine.) Each association should also adopt a supplemental by-law setting forth the manner in which dividends shall be paid to non-shareholder patrons, *e.g.*, whether paid in cash or credited on account for capital stock. (Section 18.) If all shares are to be fully paid up when subscribed for, a supplemental by-law to that effect should be passed.

If shares are not to be fully paid up when allotted, a supplemental by-law regulating the manner in which calls may be made on the unpaid portion should be passed.

If when profits are made the association desires that they shall be distributed quarterly, semi-annually or annually, a supplemental by-law covering that matter should be adopted. Then associations going in for some particular line of production or marketing will require rules for the regulation of the details of their business. These to be legally binding must be registered as supplemental bylaws.

Can an association obtain assistance in drafting its supplemental by-laws?

Yes, the registrar is required by the Act to prepare, upon request, such supplemental by-laws as may be required for the regulation, government or management of any proposed association provided that such request is accompanied by a full outline of the object and business of the said proposed association. (Section 28.)

Can an incorporated association do business on credit terms?

Associations incorporated under this Act are required to conduct a strictly cash business. Goods must be paid for in cash when delivery is accepted, and in selling no credit may be given. (Subsection (2), section 5.)

Is there no exception to this rule?

Associations may purchase real estate on credit, to be used and occupied as business premises, and may give a valid mortgage on property so purchased as security for any unpaid balance of the purchase price. (Subsection (2), section 5.)

Does the Act include any regulations regarding the manner in which farm supplies shall be handled?

The business of associations so far as farm supplies are concerned is confined to the handling of building and fencing material, fuel, flour, feed and such other commodities as may be shipped in car lots and distributed from a warehouse. Associations are not authorized to conduct retail stores (clause 3, section 2.)

Would it then be necessary for an association to purchase each commodity by the car lot?

Not at all; a carload might be made up of several different kinds of goods. For instance, a car of mixed groceries might be purchased, or a mixed car of lumber and fencing material might be brought in.

How are the profits, which associations may make, to be apportioned?

The creation of a reserve fund is made a first charge upon the profits arising from the business of the association. At least ten per cent of the total profits must be set aside each year for this purpose until a reserve has accumulated equal to at least thirty per cent of the paid up capital stock. After deducting the amount for the reserve fund, interest may be paid on the paid up capital stock at a rate not to exceed six per cent. If after putting aside the reserve fund and paying interest on the paid up capital stock any profits remain they must be divided among the patrons of the association, whether shareholders or not, in proportion to the business which they have done with the association. (Section 18.)

Must the dividends which become due to a non-shareholder patron be paid in cash?

This is optional with the association. If the association so desires a supplemental by-law may be passed requiring that the dividends due to non-shareholder patrons may be retained by the association and credited to the account of such patron on account of capital stock until an amount has accumulated equal to the par value of one share. When such sum has accumulated a stock certificate for one share would be issued to the patron and he would thereafter share in the dividends as would other shareholders.

What steps are necessary to secure the incorporation of an agricultural co-operative association?

1st. Five or more persons must agree to associate themselves together for some purpose or purposes under the provisions of The Agricultural Co-operative Associations Act.

2nd. Two copies of a memorandum of association must be carefully prepared. A form for this document will be found in Schedule A to The Agricultural Co-opera-

tive Associations Act, or blank forms may be obtained from the Co-operative Organization Branch, Department of Agriculture, Regina.

3rd. The two copies of the memorandum of association must be signed in the presence of a witness by the five or more parties wishing to be formed into an association, and the witness must make an affidavit, setting forth the fact that he saw the parties sign, and that each of them is in his opinion of the full age of twenty-one years.

4th. Two certified copies of whatever supplemental by-laws may be decided upon should then be made out and forwarded along with the duplicate memorandum of association and the affidavit verifying the signatures thereto. A postal note or express order for \$4.50, payable to the Registrar of Agricultural Co-operative Associations, should be enclosed to cover registration and advertising charges, and the whole should be forwarded to the Registrar of Agricultural Co-operative Associations, Department of Agriculture, Regina.

What further steps are necessary to get the association legally under way?

Upon receipt of notice from the registrar stating that the association has been duly incorporated, the association is authorized to commence business. An organization meeting should be called within two months. Notice of this should be advertised at least ten days previously in some newspaper circulating in the locality where the association is situated and in addition a notice should be sent by mail to each of the subscribers to the memorandum of association, stating the date, hour and place where the meeting is to be held. At the organization meeting the board of directors must be elected, an auditor for the current year should be appointed and the general business of the association should be discussed. Immediately after this meeting the board of directors should meet and elect from their own number a president and vice president for the current year and appoint a secretary treasurer who may or may not be a director. After the holding of this first general meeting the secretary should forward to the registrar a statement showing the names of the members of the board of directors and the period for which each is elected, the names of the president, vice president, secretary treasurer and auditor and a list of the shareholders, showing in detail the numbers of the shares owned by each and the amount which has been paid on each. This information is required at the registrar's office so that the financial standing of the association may be ascertained by parties interested.

What assistance is given associations in organizing?

The Co-operative Organization Branch of the Department of Agriculture will supply copies of The Agricultural Co-operative Associations Act, copies of the standard by-laws and blank memorandum of association forms free of charge. Information regarding the various lines of co-operative effort in other countries can also be obtained from the same source, as well as data regarding freight or express rates on farm products and available markets for such produce, and speakers will be sent from the branch to aid producing and marketing associations in organizing.

The central executive of the Saskatchewan Grain Growers' Association, from their head office at Moosejaw, are prepared to aid purchasing associations in organizing and will act as a central purchasing agency through which they may carry on collectively their activities in the purchase of supplies as well as in the sale and exchange of farm produce.

If you wish to obtain copies of the Act, standard by-laws or blank forms, or if there is anything connected with this matter regarding which you desire further information, communicate with The Co-operative Organization Branch, Department of Agriculture, Regina.

APPENDIX No. 36.

UNITED FRUIT COMPANIES, LTD., OF NOVA SCOTIA.

BERWICK, N.S., December 6, 1913.

Dr. C. C. JAMES,
1448 Yonge Street, Toronto, Ont.

DEAR SIR,—Mr. S. C. Parker, President of the Fruit Growers' Association, has asked the writer to give you a brief history of the co-operative movement in Nova Scotia.

This is rather a large subject to tackle in a letter, but we will endeavour to give you some idea of what is being done and the system under which we work.

There are thirty-two companies comprising the United Fruit Companies of Nova Scotia, Ltd. These subsidiary companies are incorporated under a special Act passed by the Legislative Assembly at Halifax in the year 1908. Members of these companies must be fruit growers and agree when taking stock in the company, to put the whole of their standard varieties of apples through their company. The apples are hauled into the company's warehouses in the fall and stored there, and are packed out as required.

Competent managers are employed, supervising the work in each warehouse. These apples are packed under three grades, No. 1, No. 2, and No. 3's, and the growers receive the average price obtained for each grade according to the grade into which his fruit packs. In short, the grower pools his apples with those of his fellow members and receives the average price realized.

The United Fruit Companies of Nova Scotia, or, in other words, the Central Association, is incorporated under a special Act of Parliament passed in 1912. You will see by a perusal of this Act the conditions under which these companies unite with the Central Association. Each company has to subscribe to the Central 20 per cent of its own authorized capital. These subsidiary companies hold very much the same relative position to the Central Association as the individual members of the subsidiary companies to their companies.

The Central Association has complete control over the entire output of the whole of the co-operative companies.

The United Fruit Companies, or Central Association, was incorporated in July, 1912, and the first annual report is enclosed herewith, also the financial statement.

For twelve months prior to incorporation an experimental association was run without incorporate powers and with absolutely no control over affiliated companies and depending entirely upon the good will of these companies to support it in the good work it was carrying on.

One would hardly expect any very good results from a central association endeavouring to run on these lines, yet it can be said to the credit of the affiliated companies that the experimental Central Association was an unqualified success and gave universal satisfaction.

You will understand that as a young association just commencing and having no similar association to use as a model, we have had to shape our course very much on our own ideas. We realize fully that there are many weak spots in the organization, and we are now preparing an amendment to be brought before the present session of the House of Assembly at Halifax to remedy in our charter some of the

very obvious defects and to increase our powers to the extent of legalizing much of the work which we wish to accomplish in the way of buying and handling supplies.

You will readily understand that with the whole of the fruit from all the companies being placed in one pool, it is essential that all the companies have some guarantee of a uniformity of pack. This is assured by employing inspectors who visit all the warehouses constantly and are responsible to the executive committee for uniformity of pack.

The Central Association alone has the power to make sales or to move the apples in any way, and instructions are sent out from the central office constantly, instructing the companies what to pack, and when, how and where to ship.

The purchasing of supplies for the use of the members of subsidiary companies also forms a very important part of the work of the central association: the farmer is able to obtain his fertilizer, seeds, spray materials, power outfits, feed and flour and practically everything required on his farm, through the Central Association and is thus able to save considerable money, obtaining all these supplies at a much lower price than even the wholesale merchants can buy it. Our contracts already placed for fertilizer amount to over 6,000 tons, so that you will readily understand that the buying power of the central association is tremendous.

We have found that things have run exceptionally well this year; we have practically no friction in the companies and all the company managers are working in perfect harmony with the central office.

We have established an office at Halifax in charge of Capt. C. O. Allen, our superintendent of shipping, and much valuable work is done by him; all our bills of lading are made out at this office and our interests at the docks are carefully guarded by our superintendent.

We have also established an office in London, in charge of Mr. J. N. Chute. This office is accomplishing really valuable work and has saved for the central association, and through the central association, for the farmers of the valley, many thousands of dollars.

Through the superiority of the pack of our fruit we have obtained a most enviable reputation on the European markets and the co-operative pack of apples are now realizing a much bigger figure both in the auction room and by private sale, than by any other apples packed in Nova Scotia. This fact, together with the fact that the farmer has obtained all the necessities of farm life through the central association at a much lower figure than ever before, will demonstrate to you what a really valuable work is being carried on, and how very much it is to the advantage of the farmers.

In addition to this we have accomplished a really valuable work in the way of better transportation of fruit. It is too long a story to be able to relate how this has been accomplished in a communication of this kind, but perhaps later on we may have the opportunity of explaining to you personally.

We enclose copies of several circulars issued to the members of subsidiary companies and written by the writer of this communication. These will give you some little idea of what is going forward.

Trusting that you will find the information contained in this and in the enclosures of use to you, we are,

Yours faithfully,

THE UNITED FRUIT COMPANIES OF N.S., LTD.

(Sgd.) A. E. ADAMS, *Secretary.*

APPENDIX No. 37.

PRESS EXTRACTS *RE* HOUSING PROBLEM.

CO-OPERATIVE VILLAGES WITH GARDEN PLOTS AT REASONABLE RENTS.

Through the efforts of Lord Grey and others like him the problems of providing attractive and suitable cottages for the tenantry of English villages is resulting in some commendable work. Recently Lord Selbourne opened one of these new model villages near Petersfield near Hampshire. This particular village has many fine points. It is situated on a hillside overlooking a beautiful valley. The cottages are scattered here and there no more than two being placed together.

The designs for the cottages are so tasteful that several have already been copied for "week-end cottages" in other parts of the country. This adds to the landscape instead of marring it. The cost of the cottages varies from £300 to £400; the walls are eleven inches thick, hollow in the middle and plastered outside. In many cases the upper storeys are timbered and the out-buildings are half-timbered. The cottages contain five and six rooms.

Rents vary from 5s. 9d. to 4s. 6d. per week and with each cottage is included a full quarter acre of land which affords a fine garden plot. If any of the tenants wish it is possible to take land from the company. Some have taken as much as seven acres. The company owning the village has made it a co-operative affair by allowing the residents to share in the profits. On taking a cottage a tenant takes a certain number of shares in the village. If, later, he wishes to leave he receives his outlay back again. It may be he will wish to keep his connection with the company, in which case he is allowed to do so.

Tilmore Gardens is the name of the new village, and if the scheme works well here it argues for success elsewhere because living is high owing to the residential character of the neighbourhood.

ATTRACTIVE DWELLINGS AT MODERATE RENTAL RETURN FAIR INTEREST ON CAPITAL INVESTED.

(*Montreal Gazette.*)

Mr. G. Frank Beer, president of the Toronto Housing Company, Limited, spent yesterday in Montreal on affairs connected with the operations of the company, which is a semi-philanthropic, but eminently business-like organization engaged in solving the problem of providing decent, hard-working families of the mechanic and clerk class with clean, healthful and attractive dwellings at a rental which, while moderate, returns a fair profit on the amount invested. The experiment is one which is being watched with great interest by many municipalities, and the company in its carefully worked-out plans seems to have evolved a scheme which should meet with complete success.

"The Company," said Mr. Beer, to a *Gazette* representative, "was formed in 1912, and the first move made was to work out a plan of financing the project. Hon. W. J. Hanna, Provincial Secretary of Ontario, took a great interest in the subject from the first, and when our plan was laid before him, he introduced a bill which was later passed unanimously. The basis of our plan was not to use public funds, but only public credit, and to secure this the bill in question empowered any Ontario city or town to guarantee the bonds of housing companies up to 85 per cent of the actual amount of money required. It was decided that anything less than one million dollars would not be an economic unit for a housing enterprise and the capital was therefore fixed at that figure, \$850,000 to be raised by 5 per cent forty year bonds, guaranteed by the City of Toronto, and \$150,000, in common stock, payable only in cash as called for by our operations, and the dividends upon which are limited to 6 per cent by the act. Over \$100,000 of the stock was soon subscribed, and this

permitted the city to guarantee \$500,000 of our bonds, which were issued as required. This assured the adequate financing of our scheme, and we proceeded with our building plans.

"The first building unit was located upon a vacant block on Spruce street, in the rear of the old General Hospital, the land being leased from the hospital trustees.

38 FAMILIES PLACED.

This is a respectable residential section, within a mile of the business centre of the city. Upon this land we erected self-contained cottage flats, providing dwellings for 38 families, at a cost of about \$60,000 for construction. These dwellings were completed last fall, and we had three applications for every available flat. The smaller flats consisted of living-room, pantry-kitchen, one bedroom and bath. It is part of our plan that families must not be crowded into insufficient living quarters, so occupancy of these small flats are restricted to couples without children, or with but one infant. Couples with one or two growing children were required to take flats with two bedrooms, while our future plans provide for dwellings with three or more bedrooms for larger families. In Spruce Court, as our first unit is called, we have a central heating plant, which supplies heat and hot water for domestic purposes, and we also install electric fixtures, gas stoves and window blinds. The rental of these flats is based upon the actual cost, the taxes and the upkeep, plus six per cent dividends upon the common stock funds expended and the interest and sinking fund for the debenture funds expended upon the unit. A reserve repair payment of \$1 per month is collected for each flat, but if no repairs are made necessary by the occupants carelessness this money is refunded at the end of the year or at the expiration of occupancy. This puts a premium upon careful tenancy. A charge for heating is also collected for eight months of the year, but after deducting the repair payment, the average monthly rental for one of the small flats is \$12, and for the two-bedroom flats \$17. Each flat has its separate entrance and separate balcony, with sufficient space for drying clothes at the back. The remainder of the ground space is pooled for the common good the flats all facing, not upon the street, but upon a central grass court, which forms a park for the tenants and a play ground for the children.

FLATS ARE CHEAP.

"We now have under construction one-third of our second unit, which when completed, will provide dwellings for 200 families on our Bain avenue property, a highly desirable location in Riverdale, overlooking the Don valley and less than two miles from the centre of the city. The land lies between two public parks and the dwellings will have from one to four bedrooms. The rentals will be in this case also be based upon the actual cost, plus the charges mentioned.

"Our next undertaking will be a unit in the northwest section of the city, in a section which has 40 or 50 factories in the vicinity. Here we will probably erect individual houses, and sell some of them upon easy terms. A bowling green for the occupants will be one feature of this development. We have also a one-hundred acre farm about two miles from the northeast city limits, where we propose to make a garden suburb as soon as trolley transportation is available.

"Under the Act, the city has the right to take over our holdings any time after five years and conduct them as municipal enterprises. We believe that we have already justified our existence as a company. We are not attempting to empty the slums or solve the slum problem, which is a result of community mis-management, and they must be solved by the community. We are simply trying to prove that it is possible to give the working man of steady habits a fit place to live in at a reasonable rental or a fair purchase price, and that not by pauperizing him under the guise of philanthropy, but by exacting a fair return upon the capital invested. We do not hope or desire to provide for all working men, for that would be impossible but we can relieve the pressure to a certain extent and we are setting an example of what can be accomplished by careful planning, economical construction, and fair dealing all around."

APPENDIX No. 38.

BETTER HOUSING IN CANADA—THE ONTARIO PLAN.

FIRST ANNUAL REPORT OF THE TORONTO HOUSING COMPANY, LIMITED,
1913.

Canada should do more than banish the slums. The old countries are doing that. Society is responsible for the slums and society must pay for their removal, which will require something in the nature of a surgical operation on the body politic.

But better housing has a far wider application than the slum problem. It means better living conditions for the great masses of wage-earners, and will bring with it a toning up of our whole social and industrial system. Enabling legislation will be necessary in every province. We, in Ontario, have made a beginning, and the results set out in this pamphlet, obtained under an Act passed this year, would indicate that we are on the right track.

I agree with the statement that every Canadian workman of steady habits should be able to own his home. The advantage is as much to the state as to the individual, for the home must always be the starting point for strengthening and elevating the social conscience and the national life.

W. J. HANNA.

The Provincial Secretary's Office,
Parliament Buildings, Toronto.

THE TORONTO HOUSING COMPANY, LIMITED.

Patron—His Royal Highness the Duke of Connaught.

Honorary President—Sir John Morison Gibson, K.C.M.G., Lt.-Governor of Ontario.

Officers:

President—G. Frank Beer.

Vice-presidents—Thos. Findley, G. R. Geary.

Treasurer—G. T. Somers.

Directors:

Alexander Laird, Mrs. H. S. Strathy, Miss S. K. Currie, Thos. Roden, A. R. Clarke,
Mrs. A. W. Grasett, Dr. Helen MacMurchy, J. C. Scott, Arnold M. Ivey, Edward
Kylie, Controller J. O. McCarthy.

Advisory Board—Sir Edmund Osler, J. W. Flavelle, Z. A. Lash, K.C.

Consulting Board:

Architect—Eden Smith; Engineers—C. H. and P. H. Mitchell; Landscape archi-
tects—Dunington-Grubb and Harries.

Secretary—W. S. B. Armstrong, Continental Life Building.

ADDRESS OF THE PRESIDENT.

The work of the Toronto Housing Company during the first year of its active operations has been chiefly to get a clear understanding of its mission and to form, as far as possible, a well defined plan for its field of operations. The problem of

housing is so many sided it is not to be wondered at that the members of our Board took some time before seeing eye to eye as to the portion of the problem deserving of our first undertaking.

This report will briefly review what has been done, outline our immediate programme, and suggest some of the yet untouched fields of usefulness requiring serious consideration.

Our accomplishment is not all that we hoped for. Unforeseen difficulties and unavoidable delays caused the loss of several valuable months, and it was not until the early months of this year that a better understanding of our aims and a wider sympathy with our proposed work paved the way for the carrying out of any important building operations. This time, however, was not wholly wasted. Plans of finance were carefully thought out, the experience of housing companies in Great Britain and United States was further thoughtfully studied, and the needs of our own city more thoroughly ascertained.

GOVERNMENT CO-OPERATION.

Representations were made to the Ontario Government as to the desirability, indeed the urgency, of the Government showing its interest in the housing problem facing practically every municipality in the province. As is now well known, the Hon. Mr. Hanna immediately took a great interest in the whole subject, and with our co-operation a Bill was framed and later on enacted by the unanimous vote of the Ontario Legislature that provides a way by which all the cities and towns of Ontario may to a large extent solve the problem of providing houses at moderate prices for their people.

Several important principles underlie this legislation.

1. The first of these is that where private initiative fails to provide an adequate supply of a pressing necessity the Government, as representing the whole of the people, should and will lend its assistance to supply the need.

2. The principle of encouraging the voluntary co-operation of citizens with the Government in solution of social problems.

3. The desirability of leaving the administration of such enterprises in the hands of specially constituted bodies.

4. In undertakings which by their nature create a value which is the direct result of Government co-operation such value (after providing for the repayment with interest of the private capital employed) shall belong to and be employed for the benefit of those co-operating. In the case of our Housing Company, the co-operators, outside of those supplying the capital, are the city, through its guarantee of the bonds, and the occupants of our houses.

These substantially were the principles Mr. Hanna required should be embodied in the Act, if the Government were to lend its encouragement and assistance to housing enterprises. The result is that no legislation could be better adapted to meet the present situation in Ontario than that recently passed by the legislature.

Very shortly after the passing of this legislation the city council of Toronto, by a practically unanimous vote, authorized the guarantee of bonds to the value of \$350,000, for the purposes of the company upon the basis of \$150,000 being provided by the company. A few days later this by-law received the approval of the Provincial Board of Health. The vote of Toronto ratepayers was therefore not required. As you are aware, shares to the value of \$100,000 only have as yet been subscribed for, so that \$50,000 additional must be provided to entitle us to the full amount authorized by the council.

LAND ACQUIRED.

Our first purchase of land was from the city, some five acres, fronting on Logan avenue. From the nature of the land a carefully planned development of the whole area was necessary to prevent it becoming an eye-sore to this section of the city.

Opposition to the plans we first considered and still consider wisest prevented us proceeding with building operations during 1912. Our present plans for this land have, however, been approved by the city council and we will spend in all over \$400,000 on this development and house 200 families.

Your board carefully considered many types of houses and finally adopted a style of self-contained cottage flats with pleasing and varied elevation. In this we were able to benefit from the experience gained from our Spruce street buildings as to the requirements of our tenants and as to architectural details. Other features of the development are a central heating plant, a supply of hot water for domestic purposes, and large grass courts for the children of our tenants. In this we were influenced by a desire to effect all economies possible and at the same time to lessen the labour of the house-wives occupying our buildings. The lady members of our board gave valuable assistance in planning these houses.

SPRUCE COURT.

While our plans for the land above referred to were being held up we leased from the General Hospital Trust a block of vacant land facing on Spruce street opposite the old general hospital. On this land we have spent \$55,000 providing homes for 38 families. The type of buildings and general plan of development are practically the same as that referred to in connection with Logan avenue. These houses are now ready for occupancy and applications have been received for double the number of tenancies. Not only were they over applied for but when the building construction had proceeded far enough to indicate with some clearness the plans of the flats, keen disappointment was expressed by the applicants for whom we were unable to provide. There seems no reason to doubt that at the type of residence and interior arrangement of our houses will prove exceedingly popular.

NORTHWEST LAND.

We have purchased 685 feet of land near St. Clair avenue in the northwest of the city and plan to spend there in all about \$100,000. The lots are deep and a bowling green for the occupants of the houses will form one of the features of this development. It may be found desirable in this locality to build self-contained houses so that if thought wise, and if the demand arises, we may sell them upon easy terms of payment to those desiring and able to acquire their own homes.

This completes the list of the work already entered upon within the city limits, the whole involving an outlay of over \$550,000.

SUBURBAN DEVELOPMENT.

A suburban development upon co-partnership lines has always been hoped for by those most active in organizing the Toronto Housing Company. The success of housing under this plan has been demonstrated many times in England, and in proportion as the price of land in cities becomes excessive, it inevitably follows that such a development is necessary.

Shortly after this company was organized an opportunity offered to purchase 200 acres of desirable land situated between Danforth and Eglinton avenues in the northeast district adjoining the city. The price was attractive and was possible only for a quick purchase. As the land was two miles from the existing city limits and without adequate transportation facilities, it was not considered wise to assume the responsibility of purchase with the probability of having to wait some years before building at this point would be advisable. At the same time it was considered that the low price made the purchase a very desirable one. Five of our shareholders after learning of the situation agreed to advance the money necessary to acquire the land, accepting a lien upon it as the only security for the loan. To enable the company to retain the

property, a portion of it has been sub-divided and sold. The company has been under no financial responsibility and we have an equity of large value in the remainder of the land.

It is the desire of your board to develop this land (together with the one-third disposed of) upon the lines of a garden suburb as soon as satisfactory transportation is secured. We hope the Hydro-Electric Commission of Ontario will locate the route of their Eastern Suburban Trolley Line through the property. This would practically assure the speedy development of the district and be of far-reaching value as demonstrating the power now in the hands of cities and municipalities to solve their pressing problems of housing and town planning.

In fact the actual carrying out of what is now made possible by Ontario's Housing and Transportation Legislation would be of world-wide interest and *The Ontario Plan* would be referred to wherever a serious study of these problems was undertaken.

Most important of all, however, is the demonstration here made possible of what people may do to help themselves when the Government by wise legislation provides assistance without dispensing charity and guidance without destroying personal initiative and public co-operation. This indeed is legislation of a high order framed upon principles which develop public spirit and inspire public service.

To develop the suburban land now owned by the company we will require not less than \$1,000,000. The city of Toronto so far is only co-operating with us within the city limits. A plan of finance for this suburban undertaking is one of the tasks ahead of the company. That it may be successfully met and prove of great value to Toronto and Canada I earnestly hope.

THE FUTURE.

In all the work planned up to this date we have endeavoured to realize a living condition and environment worthy of Canadian citizens and of which we hope all Canadian citizens may ultimately be able to avail themselves. Building at a lower level might lend itself to establishing or perpetuating a condition neither desirable nor productive of lasting advantage to the community. A less desirable development may be justified, the conditions of thousands of our citizens being what it is. I would strongly urge, however, that for every dollar spent in providing housing accommodation of a less desirable type than we have yet planned, two dollars should be spent by the city, province or Dominion (or by all combined) in seeking, finding and remedying the causes that have brought about that lower level of living. It will be a lasting discredit to Canada if we permit the reproduction here of the evils from which the countries of the old world are suffering.

Many suggestions as to fields of usefulness have reached us. Of these one which your board consider especially worthy comes from a gentleman well known to all citizens of Toronto for his benevolence and public spirit. This suggestion is that our company provide a building for women workers living away from home where they would have the advantages of reasonable rent and pleasant social environment. The tenants might furnish their own rooms, and so long as they desired this building would afford a permanent residence and be to them a home.

A suggestion from Controller McCarthy that the company provide a building which would be at the disposal of the Medical Health Officer has not yet reached us officially from the city council. The idea is that when the Medical Health Officer finds houses unsanitary he can have the family removed to one of our houses while the landlord is putting his house in order. As there are few or no houses available for such cases at the present time the work of improving existing conditions is hampered. If houses were available for such tenants the Medical Health Officer could and would placard houses until they were rendered fit for occupation. The suggestion seems a practical and wise one and will receive the careful consideration of the board when the matter comes before it officially.

From another leading citizen, one well acquainted with many phases of social work, came the suggestion that the company acquire from the city the waste and

unsightly ends of city parks which in a number of cases abut the rears of adjoining houses. This seems to us a wise proposal for many reasons. Such land is at present waste. If developed along desirable lines, it will mean the adding of an attractive feature to the parks referred to, the housing centrally of many who from their work especially need down town houses, and the city will receive from the company in payment for the land a sum which will prove of assistance in improving the parks and adding to their attractiveness and social value. The whole matter is now receiving the attention of the city council and we hope something of value to the city and company may result from the proposal.

In this connection it should be stated that it is not our object, nor is it financially possible for the company, to meet the existing demand for small houses. The most we can do is to relieve the pressure at a point where it will be of most value. We hope too that private enterprise will adopt some if not all of the ideas we are endeavouring to realize in our forms of development. This has been the experience in other countries where housing companies such as ours have been in operation. Our company being conducted upon strictly business principles, private enterprise is not prevented from finding profitable investment upon similar lines. Rather, we indicate a way which, in our judgment, is safe and attractive.

From the outset our efforts have been watched with friendly interest by the other cities and towns of Ontario. A conference of representatives from leading centres was held at the city hall, Toronto, last fall when the details of the Bill, afterward enacted by the Ontario Legislature, were carefully discussed. The problem in Toronto appears to be repeated to a greater or less degree in every town and city in the province. It is gratifying to know that housing companies in other cities are already or are soon to be formed under the provisions of the Government Act.

Many inquiries as to our organization and plans have reached us also from cities and towns in other provinces—notably Montreal, Quebec and leading western towns. We have supplied freely all the information asked for accompanied by copies of the Ontario Housing Act. A copy of our charter has also been supplied where requested.

A CENTRAL BUREAU.

It would appear to be highly necessary to establish a central bureau to which all the cities and provinces may apply for information and assistance in the cause of housing reform. This bureau would prove of great value in co-ordinating the different movements now taking place throughout all Canada. By applying the experience of each for the benefit of all, much may be done to lessen the labour of those giving freely of their time in this direction. Such a bureau, I believe, could best be organized as a department of the Public Health Section of the Conservation Commission. With Sir Edmund Osler as chairman, it would be influential and efficient and the great forward movement of better housing would receive timely and invaluable assistance. There are citizens in every locality with the good-will, but who require advice and assistance to enable them to put their good-will to practical use.

THE FOREIGN PROBLEM.

It has been truly said that America is the melting pot of the world. People of all countries are seeking here, some an easier, others a broader, but all a more human life than the old countries of the world afford. They do not come here to idle. They are clearing our forests, building our railways, digging our mines, and in many other ways bearing their full share of the heavy work called for in our country's agricultural and industrial expansion. These people are not different from ourselves, except in the lesser opportunities they have had for development of mind and soul. They are cheerful, virile and in the main thrifty. Given the right environment, with the advantages of education, they will become true and valuable Canadians. I can see neither prudence nor justice in giving these people no better chances than they

have to-day in Toronto to live in decent surroundings and healthful homes. It is not in the best interest of our city or our country that they should accept with cheerfulness or indifference a low level of living. At the present they form a menace to the health and morals of some localities and are said to affect injuriously the labour market. A better environment, better houses, better education and some human help can make of their children, sturdy, worthy citizens, bringing strength, endurance and talent as well to share in the great work ahead of us.

BUILDING FOR SALE.

For the present the chief duty of our Company is doubtless to build houses for rent. The City of Toronto requires many hundreds more of such houses as we have planned and unless private initiative supplies these the company will be pressed very hard by the demand to extend still further its operations in this direction.

There is a field, however, as yet untouched that deserves our earnest consideration. To many working men, their highest ambition is the ownership of their own houses. This is especially true where there are several children in the family. To give to these some permanent shelter against future possibilities of unemployment, illness or other disability every possible economy will be exercised and every nerve and muscle of the parents unsparingly used. In a country as generally prosperous as is Canada the ownership of his own house should not be an unrealizable ideal for a Canadian workman of steady habits. We are in a position to build at a less cost than the workman can and a plan of finance could with little difficulty be worked out by which within 15 to 20 years the worker would own his home by a monthly payment little in excess of his present rental. Life Insurance to cover the unpaid portion of the loans so made may be found necessary. This arrangement would give workmen who are heads of families a comfortable sense of security.

That there is a demand for such help as this would give is abundantly proven by the requests already before your Board. A field of usefulness of far-reaching value to Toronto would be open to us if the sum of \$50,000 were placed at our disposal by private investors for this special purpose. This sum would enable us to borrow \$275,000 on mortgage bonds and so place at our disposal in all \$325,000. As repayments of capital are made monthly the plan once in operation would finance itself, the same capital being used over and over again. It is greatly to be wished that this beneficent phase of a broad housing policy could be carried out. I cannot but believe that much vacant housing land within the city limits is at present unused owing to difficulties of financing building operations. A safe plan could be worked out if the initial capital were provided.

In this connection I venture to express a hope for the many to whom the ownership of their own home would appear at present to be an impossibility. If the company were in a position to supply small houses of very moderate price by monthly payments little in advance of rental, would it not develop a desire for ownership among many who now spend their small surplus earnings unproductively? Their present hopelessness results in no serious effort being made to save. This at least is sure: an increased incentive to save would be provided from which we might reasonably hope to have good results.

It might also be hoped that some of the money now invested in highly speculative enterprises, frequently resulting in large loss to the investors, would be attracted to this form of investment. The high profits held out as inducements to small investors are frequently imaginary, while the safety and increasing value of such an investment as we would provide is apparent.

LEGISLATION.

Toronto is fortunate in having a capable and zealous Medical Health Officer in Dr. C. J. Hastings. It has not therefore been necessary for the Housing Company to

give any attention to Legislation affecting tenements, slums, etc. We are pleased to afford any help we can in furthering the plans formed by Dr. Hastings and have been grateful for his interest and help in the work planned by this company.

ADMINISTRATION.

We recognize the necessity to conduct our business upon strict business principles. The rentals payable in advance are estimated to cover cost of up-keep, taxes, insurance, interest on bonds, interest on shareholders' capital, and to provide a sinking fund to retire all the bonds in 40 years. The whole of this rental is collected in 11 months of the year. A proportionate rental for the twelfth month is also collected but this is rebated to our tenants if upon examination of their premises it is found that everything has been kept in good repair. The amount of the rebate is conditional upon the cost to the company of internal repairs. Exterior up-keep is included in the rental collected within the eleven months.

Any further information as to methods or cost of administration will be freely given to shareholders interested.

Your Board desire at this time to make particular mention of the help and sympathy at all times during the year shown by His Worship Mayor Hocken, the Board of Control and members of the city council.

It is with the greatest satisfaction also that we refer to the appointment of an advisory board consisting of Sir Edmund Osler, Mr. J. W. Flavelle and Mr. Z. A. Lash, K.C. Their help already has been and will continue to be of great value to the work we all have at heart.

In conclusion I desire to express my warmest personal thanks to the members of the board for their hearty co-operation and cheerful willingness at all times to share in the work of furthering the objects of the company. Much time has been given to the many questions calling for attention. From others outside our board invaluable assistance has also been received. I gratefully acknowledge my debt to all and especially to His Honour Sir John Gibson, Mr. Z. A. Lash, K.C., and Sir John Willison.

G. FRANK BEER, *President.*

THE HOUSING PROPAGANDA.

"This is not a company; it is a Cause." This statement made recently by a shareholder of the Toronto Housing Company aptly explains the company's existence. It expresses the point of view of each one of the 166 shareholders who together have advanced \$100,000, an average of \$600 each, to assist in the solution of a problem that vitally concerns both the community and the nation—better housing of the working people. To achieve this broader purpose the Board of the Toronto Housing Company have extended the scope of their work so that the record of the Toronto Housing Company, as such, is not a complete measure of the progress that has been made since the Civic Guild in July, 1911, appointed Prof. Edward Kylie chairman of a committee to consider the question of better housing. About the same time Dr. Charles J. Hastings, medical health officer, presented his report of a survey made of six run-down areas in the city, comprising in all 4,696 houses and 26,413 persons. Among the results tabulated were the following:—

Number of houses unfit for habitation	390
Number of houses with two or more families	2,137
One-room dwellings	198
Two-room dwellings	411
Three-room dwellings	646

In comparison with conditions in other cities, the facts revealed by Dr. Hastings' inquiry were not alarming, but they showed a disquieting tendency toward slum development. The condition, however, which created most public opinion in favour of some form of active effort for the alleviation of the housing situation was the abnormal increase in rents. Twenty years ago the average working man's house of six rooms rented for from \$12 to \$16 a month. To-day a moderate rent for such a house is \$25. The average wage is still considerably under \$15 a week. The result is that a large proportion of the families who pay rent live in a portion of a house.

From the first the object of the company was not to rehouse the slums, nor was it to meet the demand of any class for housing accommodation; it was to seek a solution for the whole housing problem. Two things were deemed essential—a constructive undertaking in Toronto and a nation-wide propaganda for better housing. Substantial progress has been made with the building program in Toronto, and much work has been done in furthering the general propaganda.

Consciousness of the need of organized effort for the improvement of housing conditions was aroused in most of the cities of Canada by Earl Grey and Mr. Henry Vivian, whom Earl Grey invited to visit the Dominion. To carry on this propaganda and to assemble and distribute necessary information, a Canadian Housing Association was from the first considered necessary by the Board of the Toronto Housing Company, which it is to be remembered was the only housing undertaking in operation in the dominion. With a view to bringing about such an organization it was decided last year to ask the Dominion Government to invite Mr. Adams, the housing and town planning expert of the Local Government Board of England, to visit Canada, confer with the Provincial Government in regard to necessary legislation and address meetings in the principal centres of population. This work came naturally within the province of the Health section of the Commission of Conservation. A petition to Sir Edmund Osler, chairman of this section, asking that Mr. Adams be brought to Canada, was circulated throughout the Dominion and signed by influential people in practically all the cities and endorsed by a number of the Provincial Governments. As far as we were concerned the matter was entirely successful but some misunderstanding arose which necessitated postponement of the undertaking.

From the inception of the Company it was apparent that it would be necessary to secure legislation to enable the financing of housing undertakings on a scale sufficiently large to permit of success. The work under this head resulted in the passage of the Hanna Act, already dealt with by the President. This Act makes possible housing undertakings in every city and town in Ontario and in addition points the way to similar legislation in the other provinces of the Dominion.

Last fall the Secretary addressed the Canadian Club of Quebec. That was the beginning of a movement which has progressed so far that we are assured the Ontario Act will be adopted by the Legislature of Quebec this year.

The Secretary attended the Canadian Conference of Charities and Corrections in Winnipeg last month and addressed the conference on the work of the Toronto Housing Company. Before leaving that city he interviewed several of the leading financial and business men and received assurances that an effort would be made to secure the adoption of the Hanna Act in Manitoba.

Shortly after the adoption of the Hanna Act movements were started in a number of Ontario cities to organize housing companies under the provisions of the new legislation. In this connection the Secretary by invitation addressed meetings in Berlin and Galt.

Inquiries have also been received from Sarnia, Montreal, Winnipeg, Quebec, Hamilton, Medicine Hat, St. John, Dundas, Calgary, Edmonton, Ottawa, St. Catharines, Vancouver, Halifax, Kingston, Fort William, Windsor, Brantford, Hespeler, Renfrew. Indeed the Toronto Housing Company is now known throughout the Dominion and we are constantly in receipt of inquiries with regard to the work.

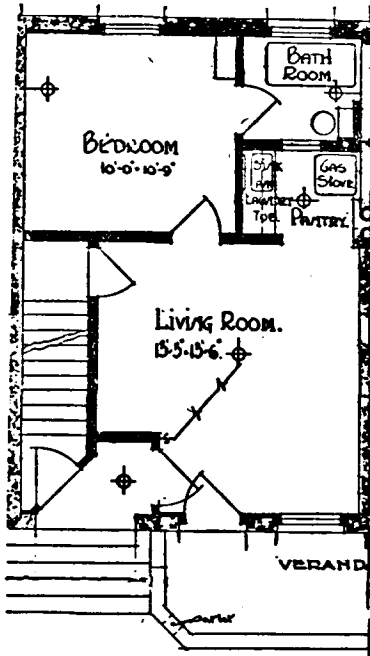
Inquiries addressed to the Provincial Government, City Officials and other local organizations regarding housing are usually referred to us for reply.

Considerable correspondence arises out of our connection with the National Housing Association of the United States and inquiries from American cities regarding our work. As an example, we recently received from the Homestead Commission of the Commonwealth of Mass., a list of questions covering two typewritten pages.

Another branch of this broader phase of the company's work is keeping in touch with the housing movement throughout the world in regard to legislation, methods of finance, plans of land and houses, methods of promoting the social welfare of tenants.

The following plans show the character of the company's development at Spruce Street and also at Bain Avenue, where construction is under way. The thirty-two cottage flats, which, with six six-room houses, comprise the accommodation at Spruce Street, are shown in the first and third illustrations, there being sixteen of each kind. At Bain Avenue, where there will be accommodation for about two hundred families, there will be cottage flats of all the types illustrated. The company has acquired land in the northwest section of the city, where it is expected to build self-contained houses, plans of which are also shown.

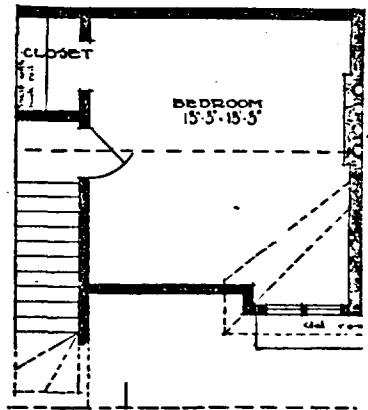
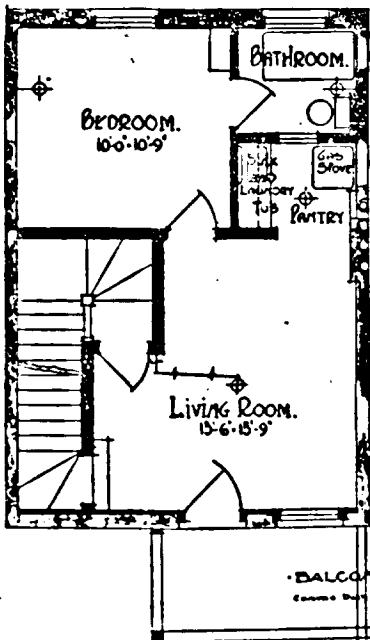
COTTAGE FLATS



NO. 1 ONE BEDROOM

The smallest Flat

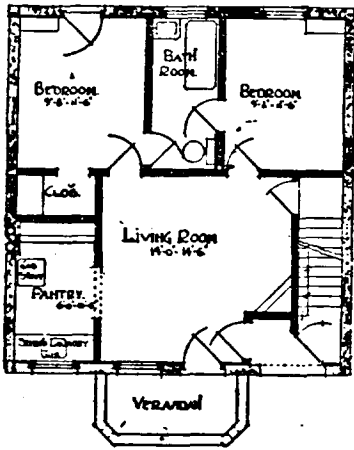
Of this type we have now 16 at Spruce Court, and 57 are under construction at Bain Avenue.



NO. 2 TWO BEDROOMS

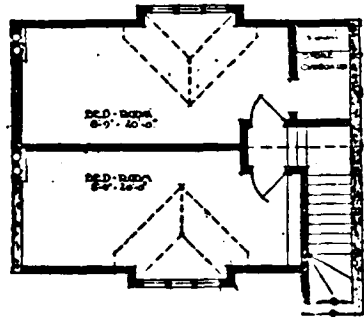
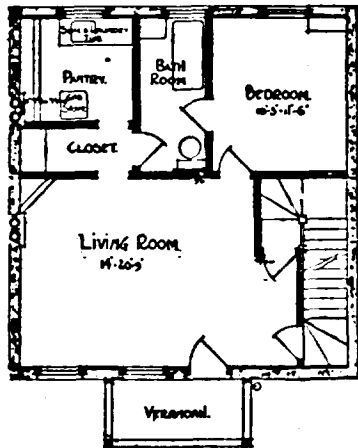
The smallest Flat and an Attic

57 of this type are being built at Bain Avenue.



No. 3
TWO BEDROOMS
Next larger Flat

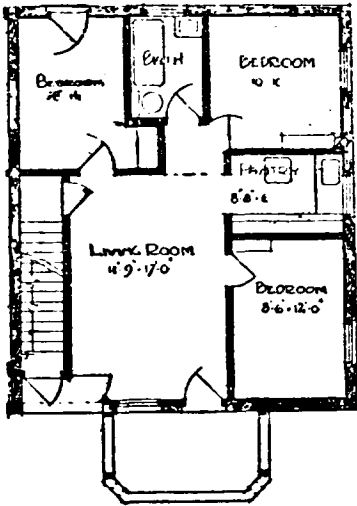
Of this type we have now 16 at Spruce Court, and 21 are under construction at Bain Avenue.



No. 4
THREE BEDROOMS
Next larger Flat and an Attic

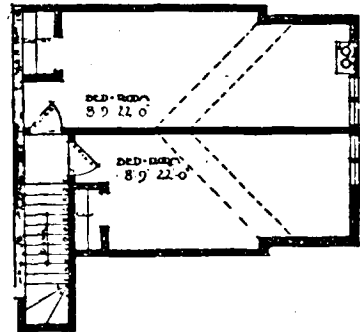
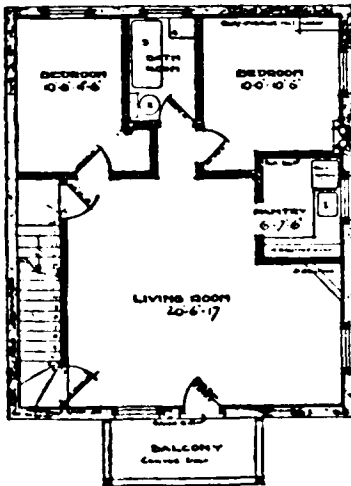
NOTE—One Bedroom added to the Living Room

21 Flats of this type are being built at Bain Avenue.



NO 5
THREE BEDROOMS
Largest Flat

26 of this type are being built at
 Bain Avenue.

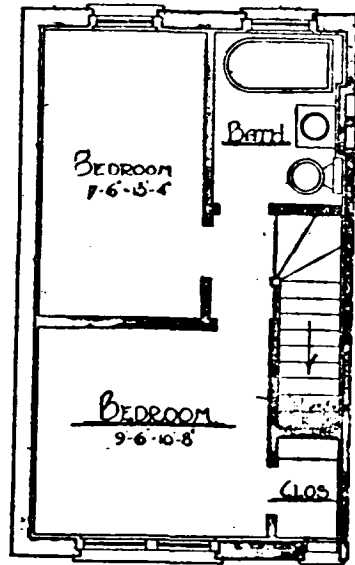
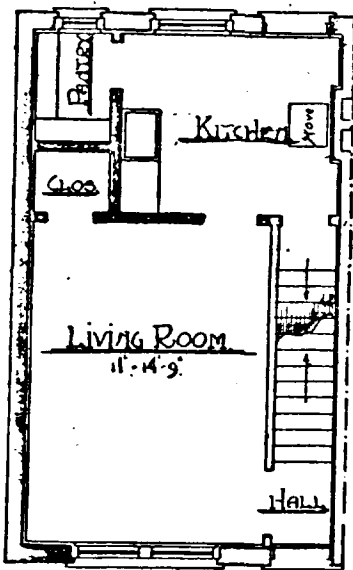


FOUR BEDROOMS
Largest Flat and an Attic

NOTE.—One Bedroom added to Living Room

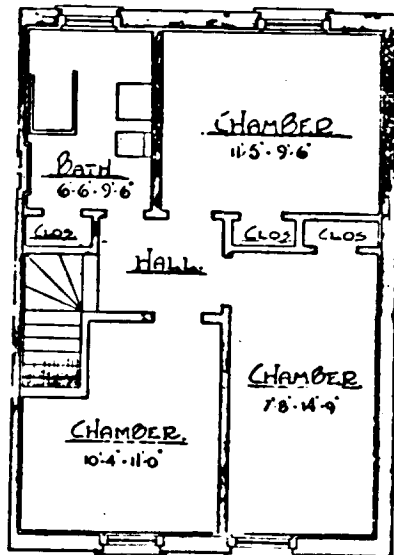
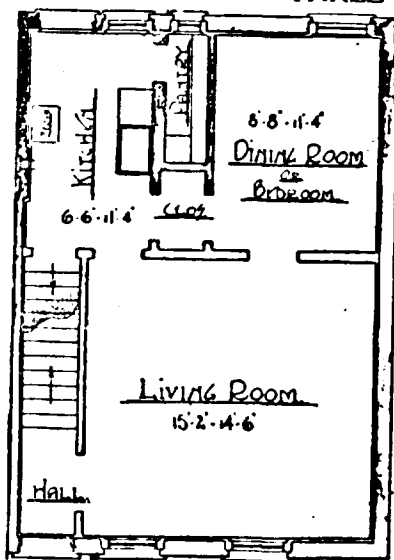
26 of this type are being built at Bain Avenue

SELF-CONTAINED HOUSES
TWO BEDROOMS



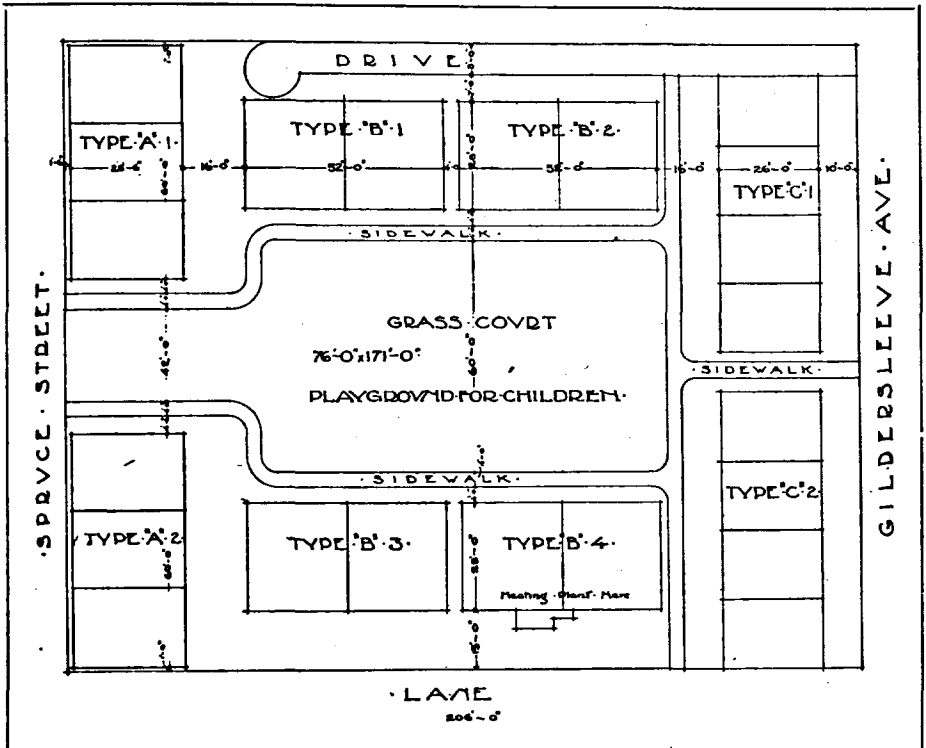
This house (outside measurement) is 15 ft. 6 in. by 26 ft.

THREE BEDROOMS

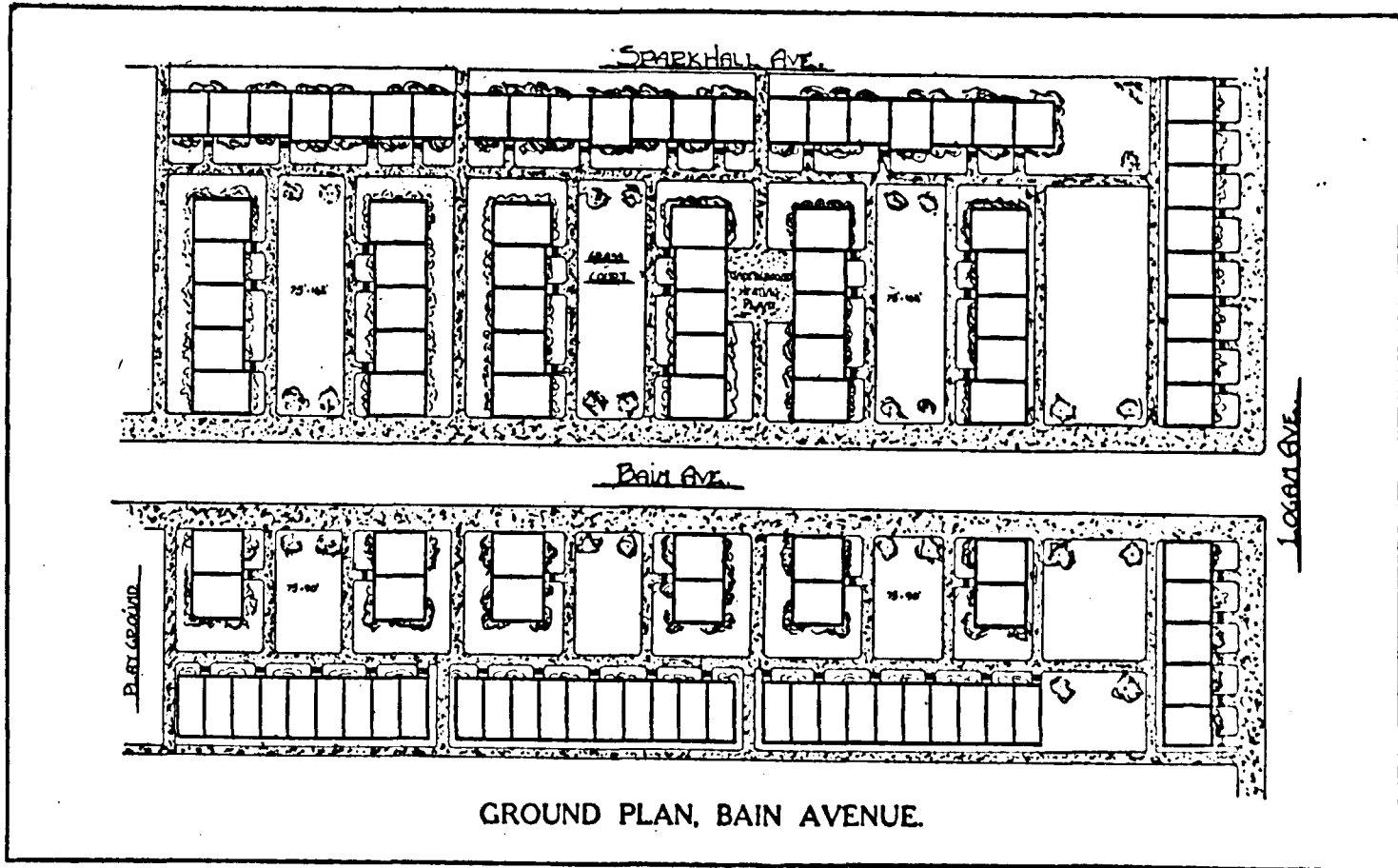


This house (outside measurement) is 20 ft. by 28 ft. 6 in.

Ground Plan, Spruce Street.



Front Elevation of Building containing Four of the Largest Size of Cottage Flats, under construction at Bain Avenue.



GROUND PLAN, BAIN AVENUE.

APPENDIX No. 38—Continued.

COTTAGE FLATS AT RIVERDALE COURTS.

THE TORONTO HOUSING COMPANY, LIMITED.

Patron—H.R.H. Duke of Connaught, Governor-General of Canada.

Hon. President—Sir John Gibson, Lt.-Governor of Ontario.

President—G. Frank Beer.

Vice-presidents—Thos. Findley, J. C. Scott.

Treasurer—G. T. Somers.

Advisory Board—Sir Edmund Osler, J. W. Flavell, Z. A. Lash, K.C.

Directors—Alexander Laird, Mrs. H. S. Strathy, Miss S. K. Currie, Thos. Roden, A. R. Clarke, Mrs. A. W. Grasett, Arnold M. Ivey, Edward Kylie, Miss Grace T. Walker, C. V. Massey, J. O. McCarthy (Controller), James Simpson (Controller), Walter Harland Smith (Alderman); Secretary, W. S. B. Armstrong; Assistant Secretary, Miss P. C. Wilson.

INTRODUCTION.

The Toronto Housing Company was organized two years ago after eight months of study and investigation by a joint committee representing the city council, the civic guild, the Manufacturers' Association and the Board of Trade. The object of the company from the beginning was not to build a few, or many, houses, but to seek a solution for the housing problem. A first step in this undertaking, it was believed, was a comprehensive building programme for Toronto. That was why it was decided to form a company instead of an association, the conduct of business necessitating capital and incorporation. Legislation was required and the Ontario Housing Act was secured from the Legislature, empowering cities and towns to guarantee the bonds of a Housing Company, organized to improve housing and not for profit, to the extent of 85 per cent of the money required, the remaining 15 per cent to be provided by citizens who through desire to be of public service could be induced to become stockholders.

A couple of weeks after the Ontario Housing Act became law the city council, almost unanimously, authorized the guarantee of the company's bonds to the extent of \$850,000. This, with \$150,000 of capital to be provided by the stockholders as required furnished \$1,000,000 for an initial building programme. Under the Housing Act the Council exercises close supervision of the Company's undertakings. The Council must approve the sites, plans and method of financing, and appoints three representatives on the Board of Directors.

The Company purchased from the City the Bain Avenue property comprising 2,050 feet of frontage. Bain Avenue is fifteen minutes by street car from downtown. The Housing Company's property is only one block from the car. Opposite the property on the east side is Withrow Park, an improved play-area of 18 acres, with toboggan slide and skating pond in winter, tennis courts, bowling lawns and ball grounds for summer. A block away to the West is beautiful Riverdale Park with the largest play spaces in the city. At the corner of the property is a large public school.

A block on Spruce street, 167 feet by 204 feet, was leased from the General Hospital Trust. This property, now Spruce Court, is just west of Riverdale Park.

In the northwest section of the city a block of land with 685 feet of frontage on Rockwell, Prescott and Blackthorn avenues was purchased. On it the Housing Company is planning to erect this fall self-contained houses, for sale on easy terms.

The company has also acquired for development as a garden suburb 200 acres north of St. Clair Avenue east.

After very careful consideration the Housing Company decided that it should first build in the city rather than in the suburbs, and that the most useful and approved type of accommodation was the cottage flat.

A cottage flat is a modern apartment with its own front door to the street. The Bain Avenue buildings of the Toronto Housing Company are arranged around three grass courts. There the small children will have ample room to play, where their parents can see them, and away from the dangers and dust of the street. Each building consists of from two to nine houses; each house contains two cottage flats, one downstairs and one upstairs, that is one on the ground floor, one on the first and second floors. The entire development is to be heated by steam from a central plant and the same plant will furnish hot water to every flat the year round. There are no dark or poorly ventilated rooms, because the buildings have a wide frontage, and are only two rooms deep, so that every room opens to the air and sunlight. Each flat has its separate bathroom, separate balcony or verandah and separate basement. Gas stoves, electric fixtures and window blinds are installed by the company. In every kitchen there is an enamelled combination sink and laundry tub.

The cottage flats at Riverdale Courts are finished in Georgia pine. This is stained in the living rooms and finished in natural colour in the other rooms. Most of the floors are hardwood. The architectural design of Riverdale Courts has been approved by many leading authorities of Great Britain and America.

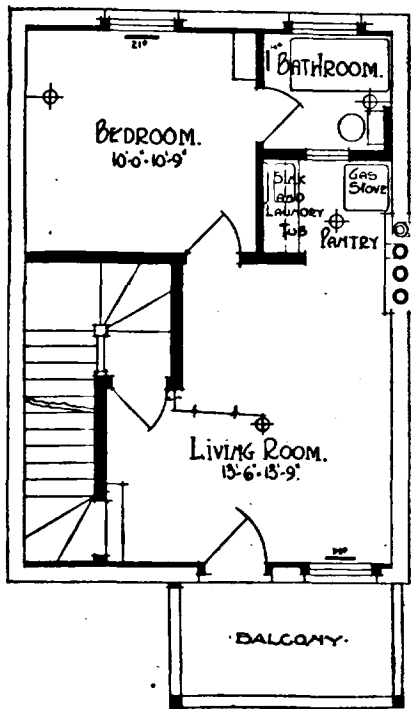
At Spruce Court, which was constructed and occupied last year, there are thirty-two cottage flats and six six-room houses.

In the buildings nearing completion at Bain avenue there are 118 cottage flats and in the others under construction there will be 86. The flats are of six sizes and a floor plan of each is shown in the illustrations on pages 913 to 918.

The rentals are based upon the cost of the development and are as low as in the opinion of the company it is safe to make them. They include the charges for heat and hot water and a fixed sum for repairs. At the end of the year if no repairs are necessary the reserve fund for repairs is returned to the tenant in cash. If repairs are necessary they are made, the cost deducted from the repair fund and the balance is returned to the tenant. The company pays the taxes and water rates; the tenant pays for his gas and electric light and separate meters are installed for each flat.

The best guarantee of the character and permanency of the property is that the company remains responsible. Each applicant for a flat is required to furnish two references as to character and suitability. The rents are payable strictly in advance. The company was not organized for profit but for public service—to solve the housing problem. On the other hand, it is not a charity or a philanthropy, but dividends are limited to six per cent per annum.

Applications for flats should be made to the Housing Company at its head office in the Ryrie Building, Yonge and Shuter streets.



PLAN NO. 1.

The above floor plan shows the smallest of the Toronto Housing Company's cottage flats. It was designed for occupation by a young couple, possibly with a child under five years of age, or by an older couple whose family has grown up and left home. It fits exactly also the requirements of a mother and daughter or two sisters who, though working, wish to keep house in a home of their own.

The rent is \$14.50, \$15, or \$16 a month, according to location.

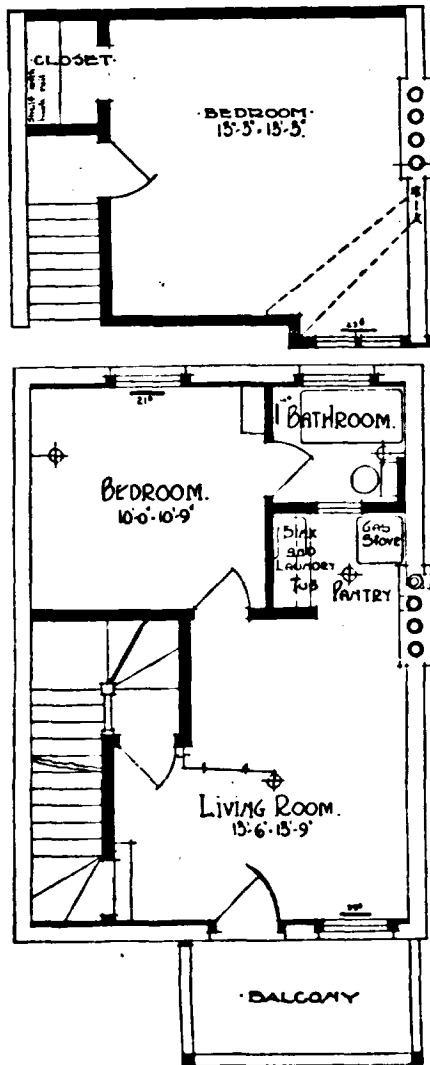
The rent includes heat, hot water all the year round, and reserve fund for repairs of \$12 a year, to be returned to the tenant at the end of a year if no repairs are necessary.

See diagram on page 920.

Nos. 11, 13, 15, 23, 25, 27, 43, 45, 59 and 61 (three courts) are \$14.50 per month.

Nos. 47 and 57 (three courts) are \$15 per month.

Nos. 17, 21, 49, 51, 53, 55 and 55½ (3 courts) are \$16 per month.



PLAN NO. 2.

This next largest cottage flat of the Toronto Housing Company at Riverdale Courts is the same as No. 1, with the addition of a fine large second floor bedroom and large clothes closet. With living-room, alcove pantry-kitchen, basement room, bathroom, veranda and two bedrooms, it provides self-contained accommodation for a small family wishing domestic privacy. All of these flats are upstairs, and each stair has three-way electric light switches at top and bottom. Each flat has its own front door to the street.

The rent is \$16, \$16.50, \$17 or \$18 a month, according to location.

The rent includes heat, hot water all the year round, and reserve fund for repairs of \$12, to be returned to the tenant at the end of a year if no repairs are necessary.

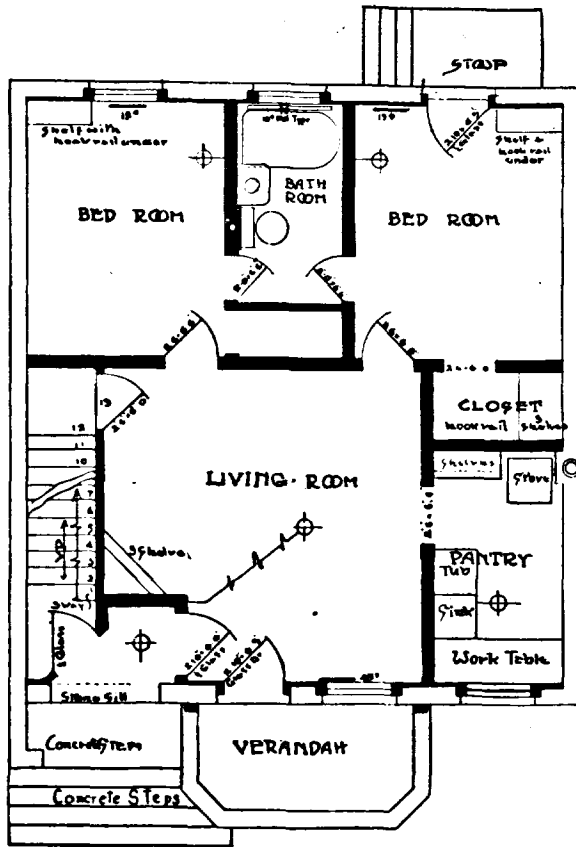
See diagram on page 920.

Nos. 12, 14, 16, 24, 26 and 28 (three courts) are \$16 per month.

Nos. 44, 46, 60, 62A are \$16.50 per month.

Nos. 18, 22, 48 and 58 (three courts) are \$17 per month.

Nos. 50, 52, 54, 56, 56½ are \$18 per month.



PLAN NO. 3.

Number 3 is another two-bedroom cottage flat, but larger than No. 2, and all these flats are on the ground floor. It has a large living-room, separate pantry-kitchen with gas range, combination sink and laundry tub, shelves and built-in worktable, basement, two bedrooms, two clothes closets, three-piece bathroom, front verandah and back-door stoop.

The rent is \$19 or \$20 a month according to location.

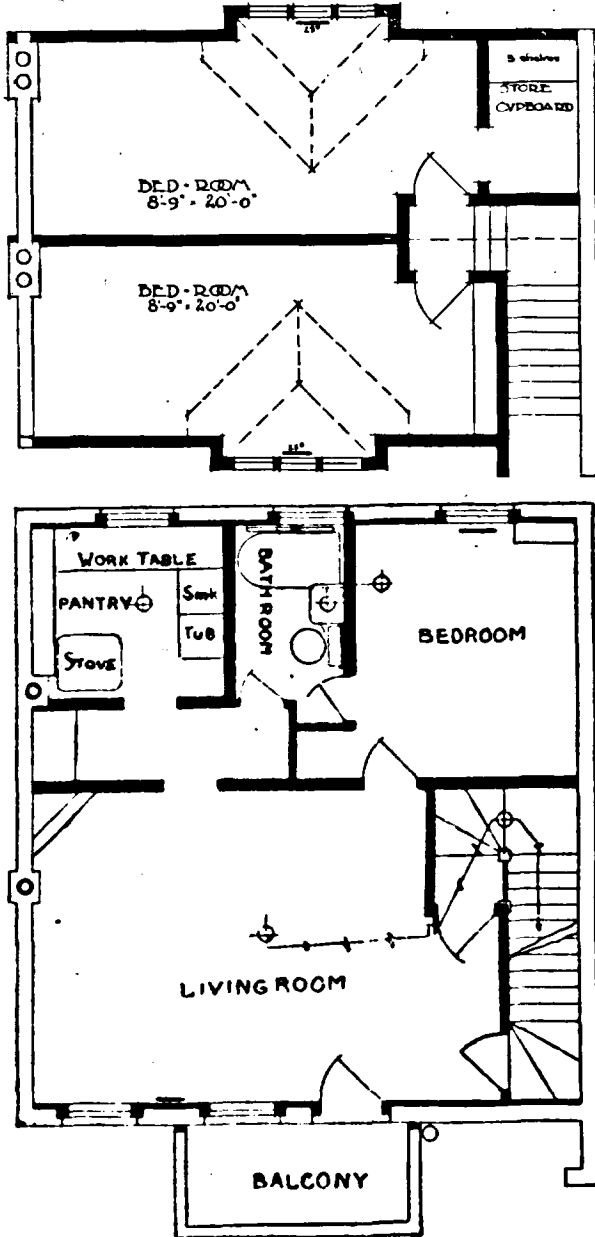
The rent includes heat, hot water all the year round, and reserve fund for repairs of \$12, to be returned to the tenant at the end of a year if no repairs are necessary.

See diagram on page 920.

Nos. 3, 5, 7, 31, 33 and 35 (three courts) are \$19 per month.

No. 19 (three courts) is \$20 per month.

BOARD OF INQUIRY INTO



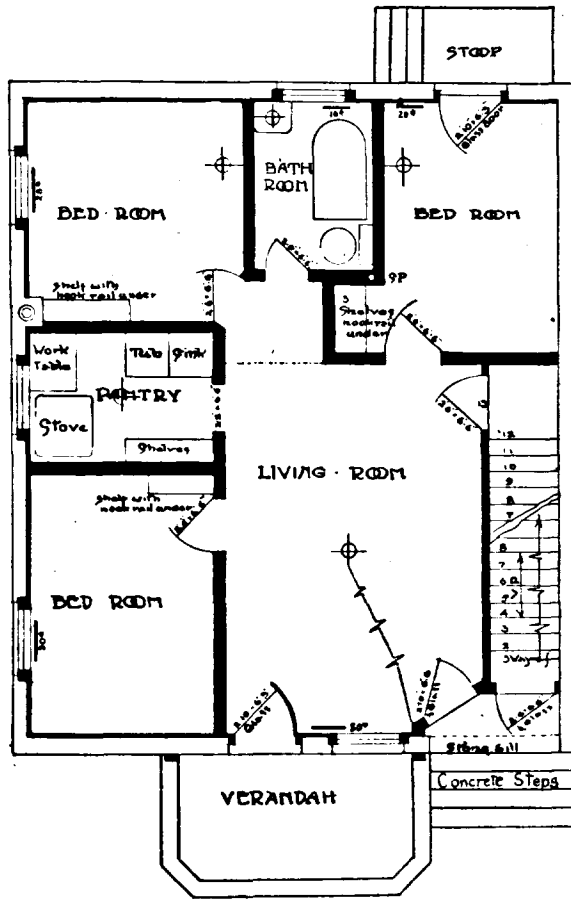
PLAN NO. 4.

This is an up-stair flat and has two fine, airy bedrooms and trunk room or large clothes closet on the second floor. On the first floor there is a very large and attractive living-room, one bedroom, three-piece bathroom, pantry-kitchen, closets and balcony. Each flat has its own front door to the street and its separate basement room. Both stairways have three way electric light switches.

The rent is \$25 or \$26 a month according to location.

The rent includes heat, hot water all the year round, and reserve fund for repairs of \$18, to be returned to the tenant at the end of a year if no repairs are necessary. See diagram on page 920.

Nos. 4, 6, 8, 32, 34, 36, and 62 (three courts) are \$25 per month.
 No. 20 (three courts) is \$26 per month.



PLAN NO. 5.

Number 5 is the largest of the ground floor flats. With large living-room, pantry-kitchen, three bedrooms, bathroom, veranda and basement it provides the accommodation of a six-roomed house.

The rent is \$23 or \$24 a month according to location.

The rent includes heat, hot water all the year round and reserve fund for repairs of \$15, to be returned to the tenant at the end of a year if no repairs are necessary.

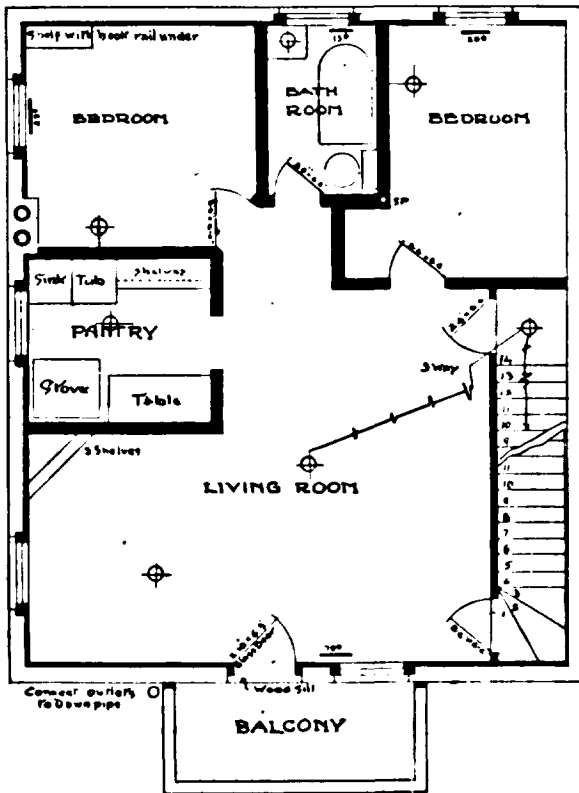
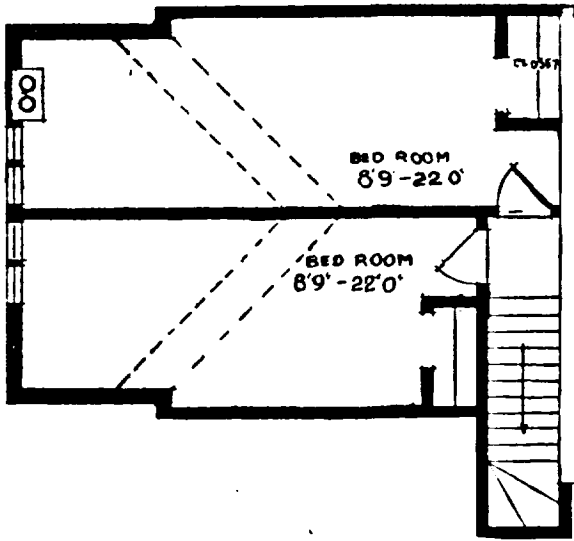
See diagram on page 920.

Nos. 9 and 29 (three courts) are \$23 per month .

Nos. 1 and 37 (three courts) are \$24 per month.

Nos. 39, 41, 63, 65 (three courts) have been leased to the Local Council of Women to be rented by them to business women.

BOARD OF INQUIRY INTO



PLAN NO. 6.

Almost any size of family can accommodate itself comfortably in this, the largest, of the Housing Company's cottage flats. It has a very large living-room, pantry-kitchen, two bedrooms, bathroom and balcony on the first floor and two large bedrooms,

each with a clothes closet, on the second floor. All of these flats are upstairs, and both stairways have three-way electric switches. Each flat has its separate basement room and its own street door.

The rent is \$28 or \$29 a month according to location.

The rent includes heat, hot water all the year round and \$15 as reserve fund for repairs, to be returned to the tenant at the end of the year if no repairs are necessary.

See diagram on page 920.

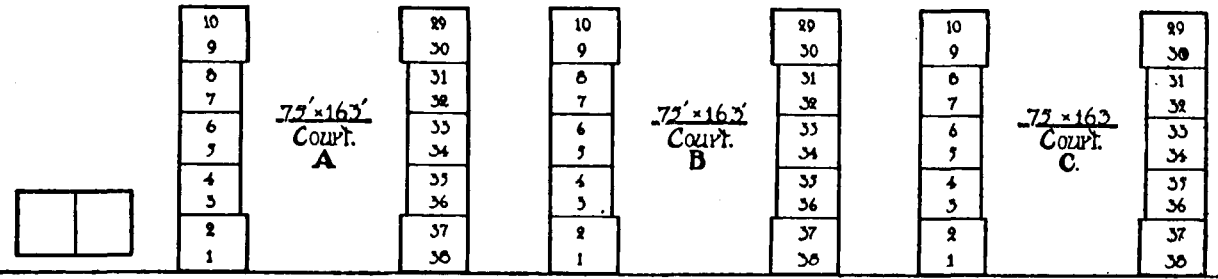
Nos. 10 and 30 (three courts) are \$28 per month.

Nos. 2 and 38 (three courts) are \$29 per month.

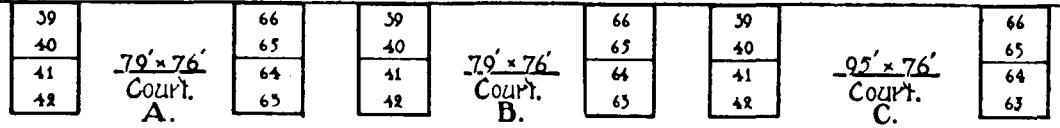
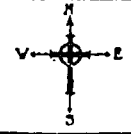
Nos. 40, 42, 64, 66 (three courts) have been leased to the Local Council of Women to be rented by them to business women.

Sparkhall Avenue.

12	14	16	18	20	22	24	26	28	12	14	16	18	20	22	24	26	28	12	14	16	18	20	22	24	26	28
11	13	15	17	19	21	23	25	27	11	13	15	17	19	21	23	25	27	11	13	15	17	19	21	23	25	27



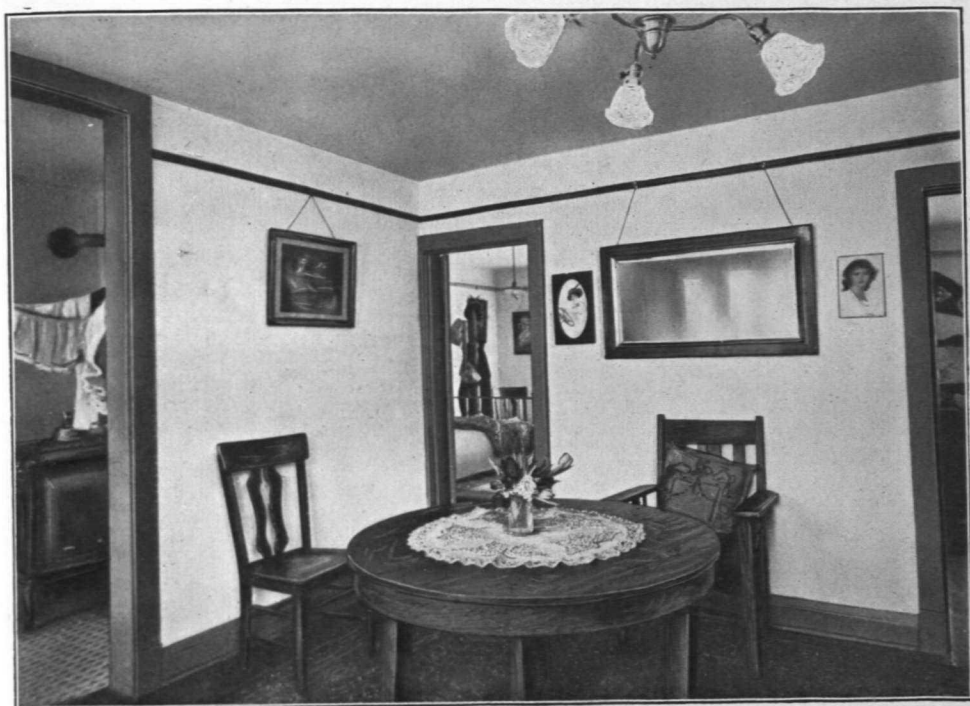
Beir Avenue



43	45	47	49	51	53	55	57	59	61	43	45	47	49	51	53	55	57	59	61	43	45	47	49	51	53	55	57	59	61
44	46	48	50	52	54	56	58	60	62	44	46	48	50	52	54	56	58	60	62	44	46	48	50	52	54	56	58	60	62

DIAGRAM.

Riverdale Courts. The cottage flats in each of the three courts are numbered alike. Odd numbers indicate ground floor flats and even numbers first floor flats. In all cases the same numbers indicate flats of the same size and rentals.



Living Room, Larger Cottage Flat, Spruce Court, Showing Portions of Pantry-Kitchen, Bed-Room and Sitting Room.



Living Room, Larger Cottage Flat, Spruce Court.



Living Room in Smaller Cottage Flat, Spruce Court, Showing Bedroom Beyond.



Another View of Living Room Shown above, Showing Portion of Pantry-Kitchen.



Spruce Court.
Partial view of The Toronto Housing Company's Property on Spruce Street.



Riverdale Courts.
Portion of one of the three Courts as seen from Bain Avenue.

APPENDIX No. 38—Continued.

CHAPTER 57.

An Act to Encourage Housing Accommodation in Cities and Towns.

ASSENTED TO MAY 6, 1913.

His Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:—

1. In this Act,

“Lands” shall include leaseholds;

“Securities” shall mean bonds, debentures, debenture stock, or other securities.

Interpretation.
“Lands.”
“Securities.”

2. A Company incorporated under The Ontario Companies Act, with a share capital whose main purposes of incorporation are the acquisition of lands in or near a city or town in Ontario and the building and making thereon of dwelling houses of moderate size and improvements and conveniences, to be rented at moderate rents, may petition the Council of such city or town to guarantee its securities, to enable or assist it to raise money to carry out such main purposes.

Petition of
Company to
Council for guar-
antee of bonds.

3. (1) If the Council is satisfied that additional housing accommodation for those living or working in the municipality is urgently needed, and that the main purpose of the Company is to help, bona fide, in supplying such need, and is not to make profits, and that the Company, without borrowing the money required, over and above the proceeds of the guaranteed securities, for the housing accommodation in contemplation, will be able to provide the same, the council may, with the assent of the electors entitled to vote on money by-laws, pass a by-law authorizing and providing for the giving by the council of such guarantee to the amount and upon the terms and conditions hereinafter contained.

By-law for
guarantee of
bonds with assent
of electors.

(2) It shall not be necessary to obtain the assent of the electors to the by-law if it is approved of by the Provincial Board of Health.

When assent of
electors not
required.

4. The council, or a committee thereof, shall, before the guarantee is given, approve of the location of the lands selected for the housing accommodation and of the general plans for the houses.

Approval of
location of lands.

5. The securities to be guaranteed shall be secured by one or more deeds of trust by way of first mortgage or charge upon such lands as the council or committee may approve of, including the houses and improvements built and made or to be built and made thereon.

Mortgage
securing bonds.

6. The kind of securities to be guaranteed and the forms and terms thereof, and the forms and terms of the deed or deeds of trust securing them, and the trustee or trustees, and the times and manner of the issue of securities, and the disposition of the moneys to be raised thereon by sale, pledge or otherwise, pending the expenditure of such moneys, and the forms and manner of guarantee, shall be such

Approval of
forms of securi-
ties, mortgages,
guarantee, etc.

as the council or committee approve of; and such terms, provisions and conditions may be included in such deed or deeds of trust as the council or committee deem expedient or necessary.

Execution of
guarantee.

7. (1) The guarantee shall be signed by the Mayor and Treasurer of the municipal corporation and upon being so signed the corporation shall become liable for the payment of the principal and interest of the securities guaranteed, according to the tenor thereof.

Authority to
provide funds to
meet guarantee.

(2) If the corporation becomes liable to pay any of such guaranteed securities, it may provide for the payment of the same out of the general funds of the corporation or by the issue of debentures payable within a term not exceeding ten years from the issue thereof, and it shall not be necessary to obtain the assent of the electors to a by-law providing for the issue of such debentures.

Limit of
guarantee.

8. The total amount of securities to be guaranteed shall not in the first instance exceed 85 per cent of an amount to be fixed in the deed or deeds of trust as representing the value of the lands and housing accommodation and improvements to be built and made thereon, and the said deed or deeds may make all convenient provisions for the expenditure of additional moneys on the said lands and housing accommodation and improvements and for the acquisition of additional lands to be made part of the mortgaged premises and for expenditure thereon, and for the issue of additional guaranteed securities under said deed or deeds, but so that the total amount outstanding shall not exceed 85 per cent of the value of the mortgaged premises to be ascertained and fixed in the manner provided in such deed or deeds, and for the issue of such additional securities in advance of expenditure, and for the disposition of the moneys to be raised thereon by sale, pledge or otherwise, pending the expenditure thereof.

Appointment of
one Director
by Council.

9. The council of the municipal corporation which guarantees securities of the Company as provided for in this Act may from time to time appoint and remove one member of the Board of Directors of such Company, and in case of a vacancy in such membership by removal, death, resignation or otherwise, his successor may be appointed by the council, and so on from time to time. It shall not be necessary for the appointee of the council to hold stock in the capital of the Company or to be otherwise qualified as a director.

Inspection of
books of
Company.

10. The books of a company whose securities have been guaranteed by a municipal corporation (hereinafter referred to as the "Assisted Company") shall at all times be open to inspection by any person named in that behalf by the council.

Limit of
dividends.

11. (1) No dividend upon the capital stock of the Assisted Company or other distribution of profits among the shareholders shall be declared or paid exceeding 6 per cent per annum in any one year.

(2) Such dividend may be payable in installments during the year.

(3) If the sums paid in any year do not amount to six per cent, the deficiency, with interest, may be made up in any subsequent year or years.

12. (1) Any net profits received by the Assisted Company in any year, and not required to pay said six per cent or to make up a deficiency therein or for a reasonable contingent fund, shall be expended by the company in acquiring lands, improving its housing accommodation by way of new buildings, additions, extensions or other improvements, or in redeeming or getting in the capital stock of the company, as hereinafter provided.

Application of profits after payment of dividends.

(2) The High Court Division of the Supreme Court of Ontario shall have jurisdiction, upon the application of the Council of the municipal corporation guaranteeing the company's securities, to enforce by mandamus or otherwise the carrying out of this section by the Company, its directors and officers.

13. (1) The Assisted Company may, with the approval of the council of the municipal corporation guaranteeing its securities, pass a by-law providing for redeeming or getting in, upon such plan and terms and at such times as may be deemed best, the whole or part from time to time of the outstanding shares in the capital stock of the company.

Power to redeem outstanding shares.

(2) For such purpose any available moneys, whether representing capital or otherwise, may be used. Provided always that no greater premium than ten per cent shall be paid upon the redemption or getting in of any share. Provided that after five years from the first issue of guaranteed securities the company, at the request of the said council shall pass such by-law and any difference which may then arise respecting the terms thereof shall be settled by the Lieutenant-Governor in Council.

Moneys which may be used to redeem. Proviso.

14. Any shareholder may give or bequeath to the Assisted Company or to the Board of Trustees established under section 14, the whole or any part of his shares in the capital stock of the company, and the company may accept and hold the same until transferred to the said Board of Trustees.

Power of shareholders to bequeath shares to company.

15. The Assisted Company may, with the approval of the council of the municipal corporation guaranteeing the securities, establish a Board of Trustees to receive and hold the shares redeemed or got in or given or bequeathed to the company or to such board upon such trusts and for such purposes and with such powers as may be thought expedient in furtherance of the objects of this Act and as may be declared or provided for in the instrument establishing the Board. The successors of the said trustees shall be appointed in the manner provided for in said instrument. The company with the like approval may alter the terms of said instrument and add to or otherwise vary the trusts, purposes and powers therein mentioned. Provided that after five years from the first issue of guaranteed securities the company, at the request of the said council, shall establish such Board of Trustees. Any differences which may then arise respecting the terms of the instrument establishing the Board shall be settled by the Lieutenant-Governor in Council.

Establishment of Board of Trustees.

16. The share redeemed or got in or given or bequeathed to the company shall not become extinct but shall be transferred to and vested in the said Board of Trustees.

Redeemed shares vested in Board of Trustees.

17. The council of the municipal corporation guaranteeing the company's securities may from time to time furnish the company

Authority to furnish money to redeem shares.

BOARD OF INQUIRY INTO

with moneys to be applied in the redemption or getting in of shares from time to time under the terms of the by-laws above mentioned, and the company shall apply such moneys accordingly.

Stock to be sold
only for cash.

18. No stock in the capital of the Assisted Company shall be sold or disposed of for any consideration other than cash, and moneys received by the Assisted Company on account of its capital stock shall not be used for expenditures other than those connected with the carrying out of the main purposes of the company, viz:—The acquisition of lands in or near a city or town in Ontario and the building and making thereon of dwelling houses of moderate size and improvements and conveniences, and the carrying out of the objects of this Act.

Power of Company
to accept legacies,
devises, etc.,
9 Edw. VII, c. 58.

19. The Assisted Company may accept legacies, gifts and devises of personal and real property notwithstanding The Mortmain and Charitable Uses Act.

APPENDIX No. 39.

PRESS EXTRACTS AS TO COST OF LIVING IN FORMER TIMES.

From the *London Chronicle*.

The prices we shall pay for our Christmas fare would have made our ancestors gasp. About four centuries ago a good fat ox cost between 11s. and 12s., and a half century later the finest ox in England cost less than £2. A fine fat goose was to be bought in 1500 for 4d., but by the end of the century 1s. to 1s. 2d. was the price. Pigeons at the beginning of that century were to be got for three a penny, and eggs were sold not by the dozen or shillings worth, but by the hundred, and 6d. was the price. In "Stafford's Dialogue" of 1581 the knight says: "I could buy the best pig for 4d., a good capon for 3d. or 4d., a chicken for 1d., and a hen for 2d." But wages balanced prices, for a master mason got about 5s. a week, and a labourer about 4s. Wages and prices keep about together, with prices always a little ahead.

From the *Town and Country Magazine* for April, 1772.

It requires no rhetoric to prove that the housekeeper, who could but just subsist in 1757, must be on the point of starving in 1772. It is hoped this picture will have its proper effect on those whose province it is to redress the greatest of all public grievances.

COMPARATIVE PRICES OF PROVISIONS.

	1757.		1772.	
	s.	d.	s.	d.
Beef, per pound	0	3½	0	5½
Mutton, the best	0	3	0	6
Veal, on an average	0	3	0	5
Pork, on an average	0	3½	0	5½
Butter, Epping	0	10	1	2
Butter, fresh	0	8	1	0
Butter, Cambridge	0	9	0	10
Cheese, on an average	0	3½	0	5
Candles	0	5½	0	8
A quart loaf	0	5	0	8½
	<hr/>		<hr/>	
	4	4	6	7½

SIR,—At this period, when not only the legislature, but individuals of almost every class, are engaged in endeavouring to lower the exorbitant prices of provisions (which are, indeed, arisen to such a pitch as to menace the very existence of the majority of His Majesty's subjects in this kingdom), it will doubtless be agreeable to many of your readers to find impartially stated in your magazine the different causes to which we must ascribe the evil. Much has been said against the grazier, the salesman, the carcase and cutting butchers, as if by monopolizing and forestalling cattle they had been the sole cause of the enormity respecting butcher's meat, so loudly complained of; but though they are certainly not without their share in promoting the distress, they are not the primary nor the greatest causes of it; the

original source of the disorder is to be traced farther back through various channels. I believe amongst the foremost of these causes may be ranked the uniting a number of small farms into one large farm. The little farmer was formerly obliged to bring his cattle to market at a moderate price, in order to make good his payments; whereas the opulent farmer, who does not depend upon the market of a day, or a week, can send up his cattle just as his agents inform him the demand is the greatest, and cattle at a price he chooses to sell at. The great farmer also neglects the rearing of poultry and fattening of hogs, as beneath his attention, which were before important objects to the little farmer, who supplied the markets with those commodities, and thereby kept down the prices of other provisions. The next most obvious cause of the present high price of provisions appears to be owing to the landholders throughout England having raised their rents in a very short time beyond anything similar that can be paralleled in six times the number of years preceding. Farms that were twenty years ago let at £200 are now let at £300, and many are still more increased in proportion. From this increase of rent it naturally follows that the farmer will raise the value of his cattle and enhance the price of corn, hay, etc., by every possible artifice, in order to make his farm as good as it formerly was; and this plan he is the more able to execute from the circumstances of his being possessed of so large a farm, and being admitted by his landlord as a tenant, from his known opulent circumstances. Inclosing of commons has certainly been of the most fatal tendency to the poor in the neighbourhood of these enclosures, as they could formerly graze a cow and a few sheep, etc., and thereby be in possession of such provisions, as they are now compelled to purchase at the public market at an enormous price, and thereby promoting the demand and increasing the nominal or real scarcity. The breeding of horses, which has now become a favourite pursuit of the farmers throughout the kingdom, and particularly in the extensive county of York, greatly increases the prices of grass, hay, corn, etc., and at the same time diminishes in the same proportion the feed of other cattle. This evil is still the greater, as our finest horses are now purchased to be sent abroad, which has enhanced their price so much as to make the breeding of them many farmers' sole pursuit. The effects hereof are sensibly felt in most parts of the kingdom, but in none more than in Yorkshire, that fruitful country, where, from this circumstance, they are compelled to purchase vast numbers of sheep in Lincolnshire and other counties. It must at the same time be allowed, that scarce crops of grain last year must have tended to increase the price of butchers' meat as well as corn; yet this deficiency would have operated but in a very small degree had the other causes been removed. To these primitive causes of the dearness of provisions must be added the killing of calves or lambs, and the luxury of the tables of the great, who frequently destroy for a single dish as much meat as would serve a large family two days. Having traced the sources of the evil through these different channels, let us now consider how far the dealers in butchers' meat, more immediately collected under the eye of the public, can be supposed accessories to the grievance. We cannot suppose a salesman would be employed by the graziers, who would dispose of his cattle at Smithfield, and therefore merits particular attention. The jobbers, who are a species of itinerant salesmen, purchasing at one market and driving to another, in order to get an advanced price for their cattle, are certainly greatly instrumental in keeping up the present high prices, and should not be suffered upon any consideration; and at the same time carcase butchers, who buy cattle in different parts of the country, and drive them up to town for their own use, without bringing them to a fair market, should have severe penalties inflicted on them, which should be employed for the uses of the poor. The cutting butcher seems to have the least share in the spoils, as from the late calculations made and the oxen bought and disposed of by societies and private gentlemen, it does not appear that they gain any exorbitant profits, considering their expenses and labour, with the losses they sustain, particularly in summer, by quantities of meat remaining

upon their hands. This leads us to consider the greatest grievance complained of against the cutting butcher, which is the destroying of meat which he cannot sell at the market price, a charge that has been supported by the strongest evidence, positive proof. It were needless to point out the benefits the poor might derive from purchasing this meat at a low price, and how much this must conduce to promote a real scarcity of provisions. From these considerations, this practice should be punished in an exemplary manner. From what has been said, which points out the principal causes of the present just complaint of the dearth of provisions, we may be enabled to form a judgment how far the evil may be remedied. The removal of the three first great causes (namely, uniting small farms into great, raising of rents, and enclosing of commons) is rather to be wished for than expected, as I fear we do not live in such times when a patriotic spirit prevails over self-interest, or when the good of the community will be preferred to the advantage of the individual. The breeding of horses is also a subject in which the advantage of the farmers is so immediately connected that unless the Parliament interferes, we cannot expect any redress in this particular. A stop may be put to the killing of calves and lambs for a limited time, but even the interposition of the above great power will not be able to stop the torrents of luxury that now so generally prevails. Monopolizing and forestalling may, by severe penalties and punishments, be prevented. Jobbers may be suppressed, and the cattle brought to a fair market; and the cutting butchers may, from the dread of corporal punishment, be deterred from destroying meat which they cannot sell at exorbitant prices. This seems the amount of all that can be done at present in favour of the poor, which united to the opening of the ports for American and Irish provisions of every kind, may still by the interposition of the legislature, and that power alone, produce them timely relief.

This at least is the sincere wish of one who was formerly a little farmer, but
now a

STARVING LABOURER.

APPENDIX No. 40.

UNITED STATES.

THE PROBLEM OF THE ECONOMIC DISTRIBUTION OF AGRICULTURAL PRODUCTS: RESOLUTIONS OF CONGRESS.

Monthly Bulletin of Economic and Social Intelligence, October, 1914.

In this Bulletin we have more than once had occasion to refer to the fact that among American farmers there is widespread and growing dissatisfaction with existing methods of distributing farm products. Briefly, the farmers complain that the fraction which they receive of the ultimate price paid by the consumer is unfairly small, and that as a result farming is yielding either a very small margin of profit or no profit at all.

With the object of ascertaining the facts by an investigation of the whole process of distribution, the Government, in 1913 established a special office under the title of the Bureau of Marketing, and at the same time with the object of supplementing the work of the new Bureau and, specifically, for the purpose of promoting sound schemes of co-operation among both producers and consumers, organized, under the direction of the eminent economist, Professor T. N. Carver, a small special division known as the Rural Organization Service. These new divisions have been steadily at work for some twelve months, but as the questions with which they are occupied are notoriously complicated and the inquiries have to be conducted over an immensely wide field, it is too early yet to expect them to produce tangible results.

In the meantime, however, the discussion of the problem of finding more economic methods for the sale and distribution of farm products continues unabated in the United States, and on two occasions at least, has occupied the attention of Congress. On September 8 of this year Mr. Fletcher introduced in the Senate a "Joint Resolution for the Appointment of a National Marketing Commission," and two days later Mr. Goodwin introduced the same resolution in a slightly amended form in the House of Representatives. As amended the resolution reads thus:—

"Whereas it is patent that there are defects in the economic system of the United States which affect adversely the producers and the consumers of agricultural products; and

"Whereas these defects have been accentuated by the European war, and to a degree justifying the recent utterances of the president of the United States in the matter of the high cost of living; and

"Whereas various attempts have been made from time to time to overcome these defects, mainly through non-governmental agencies, and recently under governmental agency under the Bureau of Marketing of the Department of Agriculture; and

"Whereas experience has, however, proven that the solution of this question is not to be found in non-governmental agencies nor is it to be found in a governmental agency. It is to be found in a semi-official governmental agency, as is here proposed, as witness the success in the European countries of such a system, a system which has swept aside the trusts in food products and which renders the trust an impossibility; and

"Whereas the present abnormally high prices for food products not alone offers an opportune time for the establishment of a semi-official governmental agency as

a means for the temporary solution of this problem, but also for the organization of the agricultural forces of the United States on the lines indicated as a means for the permanent solution of this problem: Now, therefore, be it

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President be authorized and requested to appoint a National Marketing Commission to be composed of 29 members, 15 of whom shall be farmers and 14 of whom shall be selected with reference to their eminence in commerce, law, finance and transportation.

Sec. 2. That such National Marketing Commission shall meet in the city of Washington at a time designated by the President and organize by the election of officers, and adopt a plan of action for the effective organization of the States, counties, and localities of the United States for the economic distribution of the products of the farm, with power to act in so far as affecting individuals and organizations that shall elect to become a part of this national marketing system."

It will be seen that the resolution as it stands gives very little information as to what powers it is proposed to confer on the National Commission or as to what its precise duties would be. The resolution was under consideration by the House of Representatives Committee on Agriculture on September 14, and on that occasion Mr. David Lubin, the United States delegate to the International Institute of Agriculture, who may be regarded as the real author of the scheme, explained his views at some length.

From Mr. Lubin's evidence it appears that what is contemplated is the creation of a huge number of commissions which, under the final direction of the National Marketing Commission, will form a single vast organization, not, indeed, for the actual work of selling and distributing farm produce, but for the dissemination of information as to markets and for the provision of all the other facilities necessary for the economic distribution of such produce.

The National Commission would be appointed in the first instance by the President. The governors of the States would then appoint State commissions; the State commissions would appoint county commissions; and, lastly, the county commissions would appoint township commissions. The county and township commissions would make provision for sending the local products to market in the right quantities and at the right time, and would, where necessary, establish open air and covered markets, sample rooms, exchanges and auction rooms, providing separate divisions in the various salesrooms for wholesale and for retail selling. The National Commission in Washington would resemble the German Landwirtschaftsrat inasmuch as it would act as an Advisory Council of the Government in all matters affecting agriculture and particularly in all that related to agricultural legislation, but as its most important function would be to direct the business of selling and distributing farm products, it would resemble even more closely the board of directors of a co-operative selling association or "exchange." The majority of the members of all the commissions would be farmers, while the minority, it is intended, would be composed largely of business men of high ability thoroughly familiar with modern methods of distribution and sale.

Under the expert direction of the commissions the distribution of farm products would, it is claimed, be affected with maximum regularity at a minimum cost, and as a result the producer receive better prices and at the same time be relieved from the risk and anxiety of selling through agencies over which he has no control; while the consumer would benefit by having assured to him constant supplies of fresh products at fair and reasonable prices.

On September 4, 1914, the Senate passed another joint resolution which may in the course of a comparatively short time prove to be of immense importance, and which if acted upon will introduce an entirely new factor into the problem of distributing the world's supply of agricultural staples. The resolution in question aims at securing, through the medium of the international Institute of Agriculture, the con-

vening of an International Conference at Rome for the consideration of the problem of "steadying the world's prices for staples." The resolution as passed by both Houses of Congress is as follows:—

"Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,

That in accordance with the authority of letter (f) of article nine of the treaty establishing the Institute, which provides that it shall "submit to the approval of the Governments, if there be need, measures for the protection of the common interests of farmers," the American Delegate to the International Institute of Agriculture is hereby instructed to present (during the nineteen hundred and fourteen fall sessions) to the Permanent Committee the following Resolutions, to the end that they may be submitted for action at the General Assembly in nineteen hundred and fifteen, so as to permit the proposed Conference to be held in Rome during the fortnight preceding the session of the General Assembly of the Institute in nineteen hundred and seventeen:

RESOLUTIONS.

"The General Assembly instructs the International Institute of Agriculture to invite the adhering governments to participate in an International Conference on the subject of steadying the world's price of staples.

"This conference shall consist of members appointed by each of the Governments adhering to the Institute, and is to consider the advisability of formulating a Convention for the establishment of a Permanent International Commerce Commission on Merchant Marine and on Ocean Freight Rates with consultative, deliberative, and advisory powers.

"Said Conference to be held in Rome during the fortnight preceding the session of the General Assembly of the Institute in nineteen hundred and seventeen."

It will be observed the steps by which it is proposed to achieve the object in view,—the establishment of a Permanent Commission on Ocean Freight Rates,—are of a very deliberate kind, and that even under the most favourable circumstances no formal proposal for an International Convention for the purpose could be made before 1917. Ample time, it is evident, is allowed for the fullest possible discussion of the whole question, apart from the fact that it would be unreasonably sanguine to hope that a great war will not impose at least some delay upon the materialization of the project.

APPENDIX No. 41.

REPORT OF THE LAND SETTLEMENT COMMITTEE OF THE
VANCOUVER BOARD OF TRADE.

December 5, 1912.

To the President and Members of the Vancouver Board of Trade.

Your committee beg to report as follows:—

We have, with the sanction of the Provincial Government, had the benefit of interviews with the following authorities on this question:—

Mr. R. A. Renwick, Deputy Minister of Lands;

Mr. W. E. Scott, Deputy Minister of Agriculture;

also

Mr. S. Maber, Department of Interior, Ottawa;

Mr. E. W. Beckett, Crown Timber Agent, New Westminster;

Mr. A. Lucas, M.L.A., and others.

We find that while large tracts of provincial lands, particularly during the last few years, have been and are being surveyed as rapidly as possible, there still remains a vast portion of the province unknown and unreported as to its agricultural and other possibilities.

THAT large blocks of good land have been discovered and secured by private persons, to the detriment of settlement by pre-emption, and that in the path of railways building or likely to be built, lands are being and will likely be secured for speculative purposes to the further detriment of a land settlement policy.

THAT the benefit that ought to result from the present railway policy is likely to be considerably curtailed from these causes.

THAT while several known fertile valleys and other large portions of the province have been wisely reserved for pre-emption,

AND while the new land office in Vancouver, which is a step in the right direction, has been the means of placing some settlers near the coast waterways, by which a means of marketing produce is, or could be, made available,

YET it is still difficult for the Government's agents to locate any large number of farmers or settlers on lands, for pre-emption or otherwise, under conditions having facilities for marketing produce that would enable such settlers to hope to make a living by the farming industry.

THIS state of affairs, arising from the difficulties of geographical and natural causes, when taken into consideration with the fact that about 20 million in cash, a large portion of which could be produced in British Columbia, is leaving the province annually for farm products, warrants, in our opinion, an active and liberal policy of assistance to settlement, to overcome these natural obstacles, particularly those of clearing and transportation, which difficulties are so peculiar to British Columbia.

It is easily seen that the very condition of mountain, forest and stream, which makes our province so abundantly rich in timber, minerals and fish, and from which such a large revenue is derived, are conditions averse to agriculture, and are therefore good and sufficient reasons for warranting a liberal Government outlay, such as might not be considered wise under other conditions.

Your committee therefore beg to recommend as follows:—

Outline.—That conditions demand immediate legislation to prevent the acquiring, holding or speculation in agricultural lands. They demand also the continued active building of trunk highways, and liberal Government assistance to settlers, such as the clearing of land and the providing of marketing facilities.

Clause 1.—THAT except under binding settlement and improvement conditions, all agricultural lands be reserved for the actual settler.

Clause 2.—THAT systematic surveying be continued with all speed possible. That in future, pre-emptions, if necessary, vary in size and shape, to more equally distribute the advantages of access to rivers or highways and to suit surrounding conditions of lands, and that longer and narrower pre-emptions be surveyed, being more suitable to district settlement.

Clause 3.—THAT pre-emptions be reduced in size to 40 acres or more, where soil and locality are found suitable for such reductions.

Clause 4.—THAT land held suitable for agriculture as timber lands, or portions thereof, containing less than 5,000 feet per acre west of the Cascades, and 3,000 feet east of the Cascades, be cancelled and held by the Government, if possible, for pre-emption.

Clause 5.—THAT lands pre-empted, where the conditions of pre-emption have not been carried out, unless just and reasonable cause be shown, be promptly claimed and revert to the Crown.

Clause 6.—THAT the present policy of trunk road building be energetically carried on, particularly to relieve localities where farming has long existed without reasonably economic means of marketing produce.

Clause 7.—THAT a Highways Act be placed on the Statute Book to act generally and automatically, so as to provide prompt Government assistance in building main roads.

Clause 8.—THE purchase of modern road-making machinery is commended and we also advise the prompt reserving or securing for district and municipal purposes, of known accessible deposits of road-making materials, such as rock, gravel and sand.

Clause 9.—THAT assistance in clearing, irrigating or draining, be given to established farmers either by direct loan or by Government guaranteed district bonds, so as to quickly extend acreage for cultivation.

Clause 10.—THAT a policy of practical assistance to settlers be inaugurated, such as establishing district settlements in various parts of the province, selected with the view of most easily building and maintaining regular communication with a market, and providing the means to such settlements at minimum cost of part cleaning, draining, irrigating or otherwise assisting the starting of farming operations, as circumstances may require, such outlays chargeable against the land until repaid.

Clause 11.—THAT a department of "land settlement" be organized, having funds at its disposal to efficiently carry out this policy.

Clause 12.—WHERE logged or partly cleared lands held under timber licenses are suitable for agriculture, that the Government endeavour to secure them for that purpose.

Clause 13.—THAT the Government give liberal assistance to the establishment of fishing settlements by British subjects.

Clause 14.—FINDING that coast settlement has been hindered for want of good wharves, which are absolutely necessary for the marketing of produce, we urge the Provincial Government to use its good offices with the Dominion Government in promptly supplying such facilities to settlers.

THE committee note with regret the enormous tracts of the most desirably situated agricultural lands, as Indian reserves, are neither being developed nor made use of greatly to the detriment of agriculture in this province.

AND ALSO that the appointment of a Royal Commission on agriculture is likely to further delay an urgently needed land settlement policy and trust that, at least, the most urgent of these recommendations may be dealt with by the Government this coming session.

YOUR committee suggest that the president of the board and the chairman of the Land Settlement Committee appoint a delegation of seven or more to press the claims given expression to in the above report on the Government at the earliest possible date.

H. A. STONE, *Convener.*
W. A. BLAIR, *Secretary.*

LAND SETTLEMENT.

Speech delivered by Mr. H. A. Stone, Convener of the Land Settlement Committee of the Board of Trade, at the regular meeting of that body, held in the Board of Trade Rooms, Molson's Bank Building, December 10, 1912.

The subject of Land Settlement is undoubtedly the most difficult and urgent question confronting British Columbia to-day; casting its shadow on the prosperity that this province has enjoyed the last ten years, it still remains an unsolved problem.

It is of serious import because the natural obstacles to overcome, either by the Government or individual, are generally so great as to dishearten either. It has become evident that without Government assistance any hope of reasonably quickly extending the general farming industry is doomed to disappointment, and unless it is extended the fifteen millions of cash now leaving the province annually for farm products will soon increase to such an alarming drain upon our capital as to be of grave concern to the mercantile and industrial interests; in considering the future we ought not to forget that the present financial prosperity is due in part to causes that cannot remain with us always. These are good reasons for the interest this board has shown in the past, and should take on this subject.

Ladysmith to-day is an instance and example such as from time to time confronts us of how quickly business interests crumble to pieces if one natural resource fails when unsupported by the more staple farming industry.

During the past ten years manufacturing has increased from very little to forty-five millions per annum and the provincial revenue has made great gains. The revenue from lands has, in the same period, grown from \$131,000 to three millions; from timber and mines, from \$465,000 to two and three-quarter millions, and from all sources from one and three-quarter millions to ten and one-half millions. While this great progress has been going forward, how deplorably slight has been the increase of lands under cultivation.

During the last year or two how many thousands of acres have been converted into 25 foot lots, and what an alarming proportion of those who should be prosperous and energetic farmers to-day are neglecting the axe and the plough, and are seeking an opportunity to sell their lands to the best advantage. One cannot shut one's eyes to this fact. Evidence and observation show this lack of farming energy. It is found in the Fraser valley, where, on the north side, certainly farms have dwindled to half their former number, and even at Langley, the so-called garden of British Columbia. It is the same in the Squamish valley or the older settlements of the Cariboo, Chilcotin and other parts. The disheartened farmer, after long struggling with his endless stumps or want of transportation, is looking and hoping either for some assistance to overcome his difficulties or to dispose of his holdings.

There are, of course, exceptions to this dismal outlook for agriculture, such as the deep rich lands at the delta of the Fraser river, which yield so abundantly of hay and oats, and the beautiful fruit lands of the Okanagan and other valleys. As

regards the latter development, irrigation and the preparation of farms by private enterprise on a large scale has played an important part, and this fact will no doubt have due consideration with the Government when considering Government assistance to settlers such as your committee recommends. It would seem reasonable, however, that a Government should be able to clear or otherwise prepare ground for settlement at a lower cost than any private company. Land so improved would not increase in value except by the actual cost of such improvements, and it is surely only right and in the interests of the province, and indeed our sympathy leans towards the settlers securing improved lands at cost and nothing more.

I dwell on this point because I believe it is the important consideration bearing on the establishment of the principle of Government assistance to settlers, and I would further say that notwithstanding that successful farming in fruit lands is partly due to the private enterprise referred to, it is obvious that if development is to be left to private companies to clear and prepare the land for settlement, it will always remain a deplorable fact, as is the case to-day, that it is only the settler with a substantial bank account—and they do not grow on every tree—that can hope to farm with any assurance of success, or that can be invited to come and settle in British Columbia. The mercantile interests should be alarmed by the continuation of such a prospect, or by any further delay of a feasible assisted land settlement policy. Past experience shows that the work of clearing and irrigating in British Columbia is generally too stupendous for the independent farmer, and that without both good roads and transportation facilities his efforts give little hope of a living return.

We must not for a moment forget the good work the Government has done and is doing by their road-building and railway policies, or that of the Department of Agriculture in its excellent work of educating those engaged in agriculture and in providing capital to assist dairying and generally to increase and protect the efficiency of the fruit and other cultivation, which assistance has no doubt greatly helped to increase production on the lands that are occupied.

Now, as to the total of farm produce now marketed, and the amount it is necessary for us to purchase from sources outside the province, the last figures given us are those of the Hon. Price Ellison in his budget speech for 1911, a minister whom the province is fortunate in having as one who is in personal sympathy with agriculture and generally speaking, favourable to Government assistance to farming.

The total production was 20½ millions and the imports 14½ millions; if we compare these figures we find in round numbers that of

Cheese, butter and milk	we produce	4 millions	and import	2 millions.
Hay	" "	5	" "	3
Grain	" "	2½	" "	2
Vegetables	" "	4	" "	no record.
Live stock	" "	3	" "	3 millions.
Poultry	" "	½	" "	1½
Eggs	" "	¼	" "	½
Meats	" "	¼	" "	1½
Fruit	" "	½	" "	½

So, of the following five staple farm products—fruit, cheese, poultry, eggs and meats—our production is only 2½ millions of a consumption of over 7 millions. This surely is not a creditable showing after 20 years of farming in British Columbia. The only item we appear to produce a sufficiency of is vegetables, which production is considerably due to the industrious Oriental.

Flour—the most staple of all necessities—is almost all imported, and if included in these figures would greatly increase them to our disadvantage. Aside from this shortage of production and an important reason for the encouragement of farming, is the necessity of having a sound and firm industrial foundation for the building up of our fluctuating natural industries.

The large importations of farm products carries to the settler an assurance of a good home market, and is an additional reason for the Government to encourage settlement and to assist in the development of partly cleared or partly drained existing farms.

We are still inviting settlers through Government agencies and bulletins to partake of and enjoy the richness of our lands, climate and beautiful surroundings without lending any helping hand towards their settling down on arrival. The policy outlined by your committee should change this to a practised welcome and to a steady increase of the right kind of settler. Objections to our recommendations may possibly come from those who are profiting and expect to profit by land speculation under the conditions that exist, but I venture to say that a policy giving benefit to the greatest number and to the province as a whole will receive the approval and hearty support of this Board of Trade. We do not wish to underestimate the great problems to be overcome by the adoption of the policy suggested.

We are aware that for the first 100 miles of the new Government-assisted railway, running north from Newport, there is hardly an acre left for pre-emption. We know that the majority of lands held for pre-emption are without bridges or roads, or means of marketing produce. We know that it will require liberal outlays to make these lands ready for settlement. We know that in such vast territories hemmed in by mountain range, and swift-running and great water-courses, that development must be slow, and we know from the experience of the Cariboo and other parts that farming cannot succeed without good transportation as well as good roads; but we do say that conditions warrant and urgently call for the opening up and preparing for the farmer of a few spots of those lands, to which settlers in numbers could be directed and provided with roads and transportation facilities to reach a market.

Such a policy as we submit would tend to moderate the upward tendency in the price of food products; would in more ways than one encourage manufacturing; would retain for re-investment in our own province part of the fifteen million dollars which we lose annually, and would strengthen our economic financial position.

A Government outlay to these ends would surely be as wise and as advantageous an outlay as the funds of the province could possibly be put to.

That this problem is a difficult one should not deter a progressive people. It is true no champion has yet come forward to squarely and energetically face this question. No Saint George has yet buckled on his armour to meet this dragon obstructing the progress of this province, but fortunately we now have a newly-made knight in the person of Sir Richard, and we trust the time has arrived when our knight will take up the lance in earnest and win the victory by making the questions of "Government Assistance to Settlers" and "Government Assistance to Farmers" the question of the hour and one of paramount importance in provincial legislation.

APPENDIX No. 42.

HIGH COST OF LIVING.

Address from the Single Tax Association to the Commission Appointed by the Dominion Government, 1914.

Gentlemen:

As we did not have the opportunity to meet you when you visited this city, we take this method of calling your attention to some of the most important factors in this inquiry.

Simply to collect a number of figures respecting the price of certain commodities, is of no value, serves no purpose, unless we know the meaning and relation of these figures to one another. Hitherto all the numbers compiled and published respecting the high cost of living, have related to the value of certain labour products—the products of the farm or the factory; and it is a fact of a most extraordinary character that the figures which are the most important for this inquiry, have been, so far as we have observed, wholly omitted. We refer to the value of the land, and to the taxes and their method of imposition.

It is quite true that during the last ten or twelve years the price of butter has advanced from 20 cents to 25 cents; eggs from 20 cents to 33 cents; hogs from \$5 or \$6 to nearly \$10; sheep the same, and cattle from \$4.50 to \$8.50; it does not follow that the farmers are receiving any too much of the wealth of the country.

In order to solve this problem, it is necessary to distinguish the agencies that promote prosperity, from the unfortunate agencies which destroy prosperity. While millions of people go to the land that they may put it to its best use, that they may produce the greatest abundance at the lowest possible price, at the same time many others hold the land, not to add to the welfare of their fellows, but that they may acquire fortune by the impoverishment of the industrious producers.

Between the beneficence of the producers, coming to our markets with the abundance of their products, and the empty-handedness of the speculators, demanding often an enormous share of that product, to which they have contributed nothing, there could not be a greater contrast. Wherever there is a likelihood of an accession of population, there the speculators turn the land into a desert, that they may acquire the result of other people's labour, because public improvements and the growth of the multitude will give increased value to that land.

Suppose the whole population pursued the methods of the speculators, where would be the prosperity of the country? would it not be starvation and death?

While industry and ingenuity are doing their utmost to enrich, speculation is doing its utmost to impoverish. While one is striving to make life easier for everyone, the other is striving to make life more bitter and hard.

The land of the city of Toronto, which the government presented to a few families as a free gift a little more than a century ago, has advanced in value with every increase of population, till now the assessment of the land stands at about \$261,000,000, while the value of the buildings is placed at a little over \$181,000,000.

Hitherto these two values have been treated as though they represented equally an increase of wealth. While the increased value of the buildings indicates a greater abundance of buildings and consequently a greater abundance of wealth, the increase in the value of the land is an indication of the greater demand of the people for land. It comes from the pressure of population and public improvements. The value of the

buildings is an asset, while the value of the land is a liability. While labour has added buildings to the value of \$181,000,000, the increased value of the land, according to our present methods of taxation, allow the owners of the land to make a claim on these buildings and other assets, to the amount of \$261,000,000.

When the adjustment of taxation allows the owners of the land to collect the value which comes to the land through the presence of population, then it is of the utmost importance to observe that these landowners can appropriate the buildings, crops and other labour products, which they do nothing to produce. Thus they are exempt from all toil to provide anything for themselves or for the support of the Government.

This subjects one part of society to a double liability; one to support the government, the other to support the landowners. This leaves one part of society to do all the work and the other part to carry off the wealth. One part enriches, the other part impoverishes.

The following figures will give some idea of the claim of the landowners on the rest of the community as shown by the assessment of the land and the buildings:—

Winnipeg, Man., land ..	\$151,795,740	Buildings..	\$93,997,150
Moosejaw, Sask. " ..	41,451,189	" ..	18,298,870
Regina, Sask. " ..	63,558,346	" ..	13,516,720
Calgary, Alta. " ..	102,260,915	" ..	20,813,620

In the towns and cities of the eastern part of the Dominion is no such excess of the value of the land over that of the buildings.

If the owners of the land in Winnipeg have a claim on the community of nearly \$152,000,000, and there are only \$93,000,000 worth of buildings, the land owners can appropriate all the buildings and also \$60,000,000 of other assets.

In ordinary years the liability to the owners of the land is always so great that a large part of the business is necessarily conducted on small margins. If, however, a frenzy of speculation strikes any locality, then prices are carried beyond all reason, often beyond the possibility of realization. In that case a collapse is inevitable.

The land which God gave to humanity as a free gift becomes the dearest thing for which they have to pay. When John Stuart Mill was asked what is the heaviest burden on the land, he replied, "The landlord."

In the city of Toronto, since the year 1904, the value of the land has increased from about \$61,000,000 to \$261,000,000, or more than four-fold, while the value of the buildings has arisen from \$61,000,000 to \$181,000,000, just about three-fold, and at the same time the population increased from 219,000 to 445,000, or a little more than double.

Thus the value of the land has increased fully twice as fast as the population, and one-third faster than the value of the buildings.

In this way the liability of industry increased faster than the population, and also faster than the products of industry. The history of the last hundred years has shown invariably that when this combination of conditions occurs, it is followed invariably by depression.

The wholesale bankruptcies of the year 1837 accompanied with the closing of a large number of the banks, was preceded by a wildcat inflation of land values by the speculators. A similar collapse of the year 1857, with the paralysis of its industries and the closure of all the banks of the principal cities was preceded by a frenzy of land speculation. Similar conditions prevailed previous to the depression of 1893.

During the last few years we have witnessed the phenomenal growth of cities, and at the same time the swarming of the speculators, many of whom without adding a dollar to the wealth of the community, have won ample fortunes.

While thus labour has been grinding at the wheel, and after being despoiled by unjust taxation, competing with the advent of shoals of immigrants, squeezed like a rag by speculators, and stripped of his right to his share in this earth, thus is he reduced to hardship and often to want.

The owner of an acre of land well situated in this city can easily obtain a ground rental of \$10,000 to \$100,000 yearly for which he need not do one hour's work in a lifetime. The cost of living to him is nothing. The returns published by the Government show that the average wage is lower than \$500 yearly. To the workman the cost of living is the most of his life.

So long as the value of the buildings, the incomes, and the businesses are assessed for taxation there will always be a margin of land value left, which will lead the speculator and the ground lord to despoil industry, so that the mass of the people will have to exercise much care, economy and ingenuity to make the income cover the expense.

The simple remedy and the only one which we can see will be in any way effective, is to remove the taxes as quickly as possible from the products of industry and place them on the value of land.

Yours respectfully,

(Sgd.) D. B. JACQUES,

President.

(Sgd.) SYDENHAM THOMPSON,

Secretary.

NEARING THE CAUSE.

OTTAWA CITIZEN, December 11, 1913.

(NOTE.—The article herewith reproduced is particularly but by no means solely applicable to conditions in Western Canada, and is therefore recommended to the present commission on the high cost of living, by a Westerner.)

“Every conceivable cause for the high cost of living has apparently been mentioned, ranging from the penalty of prosperity to the amount of gold in a dollar.

“It is interesting to note that the growing tendency is to look for the real cause in the land. Evidently more, and more people are getting down to fundamental principles, with good promise that the real cause will be discovered and removed.

“In a food producing country like Canada the secret of salvation from the high cost of living must surely be found at home, and not abroad.

“Hon. George E. Foster in his speech at Smith's Falls showed unmistakable signs of having recognized this latter fact.

“He referred to the effect made upon the cost of living by land speculation.

“He showed that the operations of the land speculators had raised rent in such a way as to greatly increase the cost of distribution, without adding to the price paid the producer. ‘They run up real estate to ten times its value, and not a mother's son of them adds one cent to the value of the land.’

“Here was a perfectly clear statement concerning *unearned increment*, and the folly of allowing it to be possessed by private speculators instead of by the community whose activity created it.

“If he had continued his argument to its logical and practical conclusion he would have shown that in city and country this process has been going on, until the country is caught in the grip of land monopoly.”

All of the unthinking are moreover reaching out after this will-o'-the-wisp represented by fictitious land values, and must reap the consequence.

“*The trail of the cause of the high cost of living ends here.*”

So says the Hon. George Foster

So says the *Ottawa Citizen*.

Read also *Saturday Night*, September 20th and 27th, and October 25th, *Citizen* December 4th and December 27th. *Montreal Weekly Witness*, November 4th. *St. John Telegraph*, *Financial Times* and *Edmonton Capital*, on the unearned increment.

REMEDY: Tax the unearned increment of land sales thirty per cent.

To the HONOURABLE WALTER SCOTT,
Premier of the Province of Saskatchewan.

The Petition of the undersigned residents of the Province of Saskatchewan and adjacent provinces without regard to political party humbly sheweth.

1. That individual ownership of land exists by the sufferance of the State.
2. That the progressive increase in the market value of farm and town land, while as yet unimproved, is correctly attributed to the labours of the people as a whole; that is to say, it is a phenomenon of general and not individual development.
3. Such increases in land values are by the sufferance of the State permitted to accrue to individuals, who administer the said profits for themselves.
4. That a fictitious increase out of proportion to the normal increase in land values is commonly brought about by a class of citizens who are otherwise engaged in no productive work.
5. That a limitation of these activities is desirable.
6. That the general cost of living is increased in proportion to the number of those people and their families who are so engaged in unproductive labour and moreover a labour which has no ethical value but the reverse; while they subsist on community wealth.

We, your petitioners, believe that the day of such unregulated private tenure of land has seen its period of fullest usefulness and that it is now waning; that the speculation in land for rise in value will be productive of greater evils in the future than in the past if unchecked; and that the public interest demands legislation for an expropriation of the future unearned increment of land, both farm and town properties being included.

It is therefore proposed by an initial tax of thirty (30) per cent on the said future increments as fixed by the sworn records of actual sales, and by a first charge on agreements of sale, to discourage the speculation in land for a rise in value but initially most particularly to discourage the creation of fictitious values and to steady investments.

And whereas the enactment of such legislation would rob no man of what he has by his labour and skill actually produced;

And whereas the enactment of such legislation would restore to the public a portion of that which they as a whole produce, to be used for the legitimate objects of public works and social betterments; without disturbing for the time being the actual tenure of land for productive or for residential purposes or for no purpose in the option of the holder of the said land;

And whereas the proposed legislation is remedial;

And whereas it will materially decrease the cost of living and promote industry;

And whereas it is in line with those great modern movements which recognize the indications of social readjustment and seeks means by which the threatening wave may be made to spend its force without destruction, restoring to the public that which the present system of tenure has alienated from them, namely community wealth;

And whereas the proposed legislation is moderate;

Therefore we do petition your Government to take such steps in conjunction with the Government of Canada as shall render all lands in the Province of Saskatchewan amenable to the said taxation of thirty per cent on unearned profits over and above improvement values individually created; such profits being determined by sworn records of actual sales and the opinion of legally constituted boards of assessors; and further for the placing of a first charge on all agreements of sale of not less than ten

(10) per cent of the calculated unearned profits accruing; the balance or twenty per cent to be recoverable in its entirety from the seller on the completion of deed.

And that only such part of the said levies as your government may deem advisable become a part of the public fund of the municipalities and towns affected thereby; the balance to become the property of the Province of Saskatchewan for revenue or investment and the needed public betterments.

And if the constitutionality of such legislation be in doubt, may the same be referred by the respective Governments to the Government of Canada or the Parliament of Great Britain, for the needed amendments to the law to the end that the local machinery of governments be made effective for such appraisals and levies.

Also that your Government will, as soon as practicable, make necessary the said appraisements and levies by Statute.

"Land never was private property in that personal sense in which we speak of a thing as our own, with which we may do as we please. It belongs to all the human race."

Respectfully submitted,

NOTE.—The above form of Petition was handed to the Board of Inquiry at Regina.

APPENDIX No. 43.

THE ECONOMICAL CONDITION AND RESOURCES OF THE
CANADIAN MIDDLE WEST.

I.

INTRODUCTORY.

A study of the causes of the high prices prevailing here should begin by taking account of the increase of intelligence in the past century among people everywhere, with an accompanying advance in enterprise. Education and wider reading have awakened fuller consciousness in them; they are more aware of what is going on in the world, and with this knowledge their physical and mental wants increase.

The spirit of "divine discontent" is abroad, spurring men to rise in their standard of living and so promoting civilization; none are content without better fare than their fathers could get. They strive for more money as a means to attain more luxury, more amusement, more leisure to enjoy. The love of life has increased with their wider outlook; and the capacity to enjoy is active and eager to be gratified, at first in physical well-being and after in the exercise of the higher faculties of taste and imagination.

These larger wants have occasioned a continually growing increase in manufactures and trade, which has been made feasible by a concurrently increasing output of gold. Not that the supply of gold in itself directly promotes trade, but that on the quantity of it in circulation and in reserve depends the volume of credit money—of bank notes, loans and credits—available for trade, always in due ratio though to a vastly greater amount than the gold. The possession of this by the banks enables credit and credit money to be issued to a proportionate though much larger volume, and so promotes or retards trade as the quantity of gold available expands or shrinks. If credit money be in excess, trade is over-stimulated, while any diminution of its volume through a loss of its basis of gold, brings it down to a sober use, though, if the diminution be not very great, trade will still, as an after-effect of the expansion, be stimulated in some measure. The credit money now actually in use might have been still larger in volume but for the continual hoarding in India of a good deal of the world's gold supply, which withdrawing has had the effect of keeping the rest effective in extending and cheapening credit. It is to be noted, however, in this connection that any very large increase in the supply of gold could not stimulate trade to a correspondingly large amount unless it were gradual, spread over years, for the volume of trade depends first of all on the capacity to do it, and this capacity is not as elastic as the production of gold might conceivably become. Therefore we may say that the price of commodities, depending on the state of trade and credit would not automatically rise, as is sometimes thought, correspondingly with an overabundant supply of gold.

This expansion on all sides went on until at last it seemed a few months ago that the very limit of the business capacity of the western world had been reached. New enterprises were every day begun, and the production of goods was so increased that inevitably this must have equalled or even exceeded the consumption had it not been (1) for the great stimulus to consumption mentioned above, and (2) for a continual loss of goods through waste in various ways—in a huge destruction by fire always going on, by shipwreck, in unskilful or careless housekeeping, in an extravagant use

of necessities and luxuries, in the support of a large non-producing town population, not being distributors; and (but this is only abroad) in the maintenance of vast armies and of non-producing workmen on strike—all which and the like has used up the increase in goods produced and prevented the fall in prices that should otherwise have taken place, if in these various ways consumption had not been made to exceed production.

A marked slackening of business set in last mid-winter; there came a pause, then a receding of the tide; and it looked for a time as if more and more slackness in the trade of the whole western world were coming. That most timorous and apprehensive thing—credit, over-strained no doubt, taking alarm was shaken when business showed signs of proving unprofitable; and available working capital at once grew scarce and dear.

Such a stoppage of industrial loans—of industrial working capital would ordinarily by checking production tend to raise or maintain prices. For these are governed by the law of supply and demand, and when there is a scarcity of goods—when demand exceeds supply, prices rule high and tend to rise; and when to ordinary consumption is added such waste as has been spoken of, a scarcity still greater is produced, and prices rise still higher to the consumer. This when trade is good. But when it is bad, consumption falls off as well as production, and hence a check is put to any rise of prices, which indeed may actually fall, from a pressure to sell goods.

II.

The working capital proper of a nation consists in its accumulated savings, but our capital in Western Canada still lies in undeveloped, or but partially developed resources. Individuals among us have local capital but the West as a whole has not yet accumulated a realized working capital of its own; it owes more debt payable in gold abroad than it has gold to pay with. But it has had in general credit to supplement what gold it owns—credit as a vigorous growing nation, an enterprising and industrious people, with a reputable government, possessing vast latent resources—credit abroad, chiefly as is natural, with the mother country. To the confidence of England and her generous financial aid we owe all our industrial expansion, development, and prosperity the past ten years.

Through her world-wide trading the savings of England increase her surplus capital so fast that she employs the excess as it grows in loans and ventures the world over; but an over-demand on this surplus from everywhere for trade purposes and loan requirements had come and as an incident used up the portion of it that would otherwise have been available to Western Canada; though perhaps this had been already forestalled by our too lavish demands for development purposes, while our credit had been impaired by some ill effects of the inordinate speculation prevailing. At that juncture, however, in England what with vast foreign war and colonial government and railway loans and trade commitments, there was not sufficient surplus savings available to supply all demands on it from every quarter. Despite the continuous strain, however, of these demands they were gradually met except for Canada; through it all general credit remained unimpaired and no sign of panic was seen;—all showing an inherent strength that affords us a hope for the future, when we shall have rehabilitated ourselves. The depression there has since passed off and trade now seems as flourishing as ever, owing in part to an accumulation of available funds through the depression. But the credit of Western Canada has not yet revived; our borrowing power is for the moment at a low ebb. We have no doubt been unconscionably lavish in spending the money lent us. Too much has been spent on our towns and cities; the development of our resources has been hastened too much; railway construction in the far West has been too rapid for our ready means.

Besides bond capital for railway construction, we have borrowed abroad largely for provincial public works—roads, bridges, and buildings, and for municipal pur-

poses—schools, street construction and lighting, water works, drainage and civic buildings; all this latter on a scale to accommodate town populations far too large. From these borrowings, with the proceeds of our exports, has come our working capital, supplemented by money sent here from abroad for investment or brought into the country by immigrants, and by commercial and bank credits. On borrowed moneys interest must of course be paid all along, while in general payment of the principal, lent for the development of the country, is properly set over until some fruits of the development shall fall in.

But our supply of borrowed money for these purposes failing, the result immediately followed that many important municipal works in the larger cities and towns came to a stop, private building also stopping in great part, except for large institutions that could afford to build for the future; and other industries slackened, the demand for goods falling off; with the consequence everywhere that many workpeople and clerks, with troops of temporary real estate dealers, were thrown out of employment. Artisans and other workmen expect work to slacken in the winter season; but the past winter there was more unemployment than usual, owing to the many immigrants that had been allured here before it was seen how our supply of money from abroad would stop and what ill-effects would ensue; and the extra competition of these for what little work has been doing has aggravated the situation for the rest.

The stoppage of supply caught everybody under some commitments for spending. Public works then in progress had to be finished; private people had investments in land or buildings only partly paid for that could not be sold, or in businesses whose stocks were full and almost as unsaleable. With everybody money became (as it still is) scarce; and this through rank after rank from the well-off downward to the smallest trader.

A healthier state now happily prevails. People have settled down to the everyday business at hand, of which there is usually plenty to be found in a new country with an industrious population such as ours. Debts are being paid, slowly it is true, and the banks are able safely to do much for legitimate business purposes—all that it is wise to do in view of the precarious state of the Canada account in London. Still there is much unemployment.

A much larger supply of money is wanted; but while money accumulates in England from savings and is invested as occasion serves, we cannot expect that it will flow readily into our West yet awhile. This Western Canada is a new country and the populations have not the settled habits of the older provinces. The men are mostly young and among them are many whom it is hard to keep at steady employment, with such limitless opportunities as they fancy on all sides. The past ten years has been for us a period of settlement and rapid growth amid vast undeveloped resources, where speculation might have been expected; and this indeed has hovered about all our trading proper, ready to break in at the least opportunity. The exhilarating climate too fosters a daring sanguine spirit, which, though it be seen only here and there, yet, being most prominent in the public eye, causes a doubt of the general stability of our business men, however little they may be implicated; and so is a constant menace to our credit.

While therefore if we are open to any suspicion on this head as well as on that of extravagance such of our industrial securities as are not conspicuously good are unlikely to be in favour in London, we may yet obtain there a share of their surplus funds for certain municipal purposes (though we may have to pay high rates), care being taken as to the advisability of the purpose. Our municipal securities are semi-public in character, having virtually the whole respective community at their back; and the supply if adequate in amount, with other moneys for farm mortgage loans that would continue to come if the demand for such revive, the farmer again feeling he may borrow,—this would also revive industries everywhere wholesomely. But the demand awaiting London is always enormous; while their finances have lately been so disturbed by the Balkan War that any full supply of money there will, for a year

or two, probably be but fitful and occasional; and for us to succeed at all we must give the best assurance we can that speculative adventures are no longer in favour with us, and that eschewing all extravagance we are in the settled resolve that any money lent us hereafter shall faithfully be put to productive use—an earnest and security for which we may adduce in the prudent conservative trading already observable among us under the controlling influence of the banks. Our actions are the best assurance we can give, and through them only can we expect to regain access to the English money market, so essentially necessary to our further industrial progress.

III.

In common with the east the cities and towns of the West contain too many non-producers and non-distributors: an urban population should always bear a due proportion to the rural population the town or city serves. But perhaps the fault here is, not that the town populations are too large as that those of the country are too small; there are not so many people on the land as there ought to be on such an extensive area in use. A good number of townspeople are necessary, for the purpose of distributing goods, for finance and insurance, and for local domestic industries; while much work of diverse sorts for local needs may be done most conveniently near-by. Place may also be found for a light sprinkling of such ardent enterprising spirits as are alluded to above, so quick to perceive and seize opportunities to prosper, whose useful function it is to arouse a slow place to life.

Local industries are all-important. The development of any local advantage that may profitably be made marketable is by all means to be encouraged, as are grist mills and the like and any other local industries in whose favour there is distance from large industrial centres; and it should be felt as a loyal duty by every resident to prefer traders on the spot to those at a distance, even at some extra cost. Propertied and moneyed men, while supporting their investments, and others of influence, should too endeavour by all means to render life in their towns so agreeable that people there might be able to live in some degree of comfort. Sound industries and trades suitable to local needs are above all necessary for this, and these should have the active co-operation as well as the goodwill of wealthy citizens in establishing and sustaining them. But it is waste to carry on an unsuitable business anywhere; our attention in the West had better be given for the present not chiefly to industrial enterprises, but to the agricultural resources of a neighbourhood. On these alone can our rural towns be established well as centres of local industries.

The larger a city or town population becomes the better will it be able to reach out and compete for trade in smaller towns, for among the larger population will be found more skill and experience and ability to do work cheaply; whereby their industries will grow in importance till they become of the first rank. There are many sound and well established financial and industrial businesses in the Middle West that may be expanded, but the establishment of new ones just yet on any large scale would be most difficult. The rise of any very large manufacturing centres—of anything like a great factory system—except where special local advantages exist or the industry depends more on power than labour, has indeed been rendered unfeasible for the present by the high cost of living here, notably of rent and fuel; for while this condition prevails it will be impossible to get sufficient cheap labour.

We have a highly ozonized climate and sunshine of dazzling splendor—creating mirages it would seem on our prairies—under whose exhilarating influence the glamour of a harvest of hundreds of millions of bushels of wheat predicted for us every spring has had the effect of plausibly inspiring a vast nomadic host of migrating real estate speculators, operating everywhere, to cover in imagination the whole prairie country presently with flourishing peopled farms. This prospect has been lent countenance to by much undistinguishing praise lavished on the country and its resources by casual passers-through; and so English investors have been misled into buying prairie lands

at farm prices, many others here being similarly carried away by their own delusive optimism. Much money was made while they could sell as well as buy; but much embarrassment ensued when the selling became less easy, very many of the poorer sort falling into distress.

Dealing in real estate was the form the speculative spirit of our sanguine people took. It became the prominent feature—the very centre of their enterprise and a veritable school of gambling that continually attracted newcomers, who eagerly seized on it rather than settle down to the more arduous work of developing something of our resources.

The great access of population to the Western cities and towns within the past ten years—the air of prosperity there given (amid much real business) by bustling crowds, enabled the speculators, by action and reaction, under the same stimulating climatic influence, to achieve a corresponding though much greater rise in the price of town lands. Such a rise is incident to a very sudden great increase in town populations; but it belongs properly only to a period of town growth, and will stop when the real wants of the period are fulfilled. While it lasted with us—while the land could be sold on a rising market, great profits were reaped by the speculators, throwing an almost equally great burden on the occupying workers; and under that artificial stimulus prices were gradually carried up to a range that in general can be regarded only as—belonging to a stage of development we have not yet reached.

With an equally high cost of building, in these conditions, high rents have followed of course on inflated land values. For wage and salary earners, after the rent is paid, an inadequately small proportion of earnings is now left for the other necessities of life, including the most costly article of fuel; and this is felt as a burden by work-people of all kinds, who are in the predicament that while from under-supply high prices prevail in everything else they do not in labour, because this is in over-supply. So many have been attracted here by the lure of the West that labour, especially clerical labour, is over-abundant, which keeps the rate of their pay far below a due ratio to the enhanced cost of living; while shopkeepers and traders, with business stagnant, have a struggle to pay rent, or dividends in the shape of rent, on what is in its effect on them an over-capitalization of the land their premises occupy. But failing any relief to this, which it would seem is likely to come only from a great expansion of business, it is certain that such inflation of town values must sooner or later, wherever earnings cannot at all be made to pay correspondingly high rents—where interest on land values, in the form of rent, absorbs too large a share of the proceeds of a shopkeeper's sales, or of a tenant's income—wherever this is the condition it must end in a cessation of dividends on the excess values; that is, in a lowering of rents to their proper economic level, values being brought, as they always ought to be, to the test of revenue return, or at the most but a little above this.

With this inflation, cheap homes are unattainable. Any home indeed—any true home—is unattainable or difficult to maintain where a too great proportion of one's income is taken for interest on the cost and for taxes, or in the equal burden of high rents. Such a rate of expense therefore is driving people into apartment blocks, into a sort of limited co-operative housekeeping, which perhaps is cheaper, and doubtless is convenient for ladies alone and small families, but for the rest any such nomadic life is not conducive to the discharge of the duties of citizenship or a due feeling of loyalty to the city. There are, however, no less than three hundred and fifty apartment blocks in Winnipeg. Many are highly respectable, but all must be limited in accommodation, some so much so that the city solicitor warns us that they are on the verge of becoming slums. It is bad for family life where children have no back yard to play in, but must scamper through passages and corridors within doors for exercise. Parks, of which we in Winnipeg have plenty, and two or so of the very best on the continent, are a great though but occasional relief to this, but are not at all a substitute. A family must feel that they are but lodging in apartments; it is an encampment rather than a home, which will not arouse affection save in a slight

degree; the charm of home in the old fashioned sense cannot be there as a centre of family affection to which one can look back with emotion in after life.

A loss of our working capital, and so one cause of high prices, began some years ago with a large amount of money carried out of the West by strangers as profits on their real estate operations, burdening the land again to that extent for settlers; while further losses now come from sending money abroad for foodstuffs that could be produced as well at home, and from many of our moneyed people going abroad to winter.

Another though apparently but a remote cause of loss to us of working capital lies in the erection of life assurance, loan company, and bank buildings for larger than what is necessary for accommodation, and proportionately costly. The excess here cannot earn any rental. The building—this excess of building, has it is true given employment to workmen, circulating money for both material and wages, but the work finished, the cost of the wages paid directly and on the material is gone—it has been consumed; and so much working capital is sunk for ever afterwards, whose want will be felt until savings enough have been accumulated by the country to replace it. And similarly with residences needlessly large, whose excess is waste, unless their grandeur set forth, as a large house always should, some dignity of position or assumed character in the owners. This country has no surplus capital of its own that would in general warrant such dormant investments. Still, when the buildings are distinguished by beauty or design—when they adorn our streets, educating us and elevating that part of our nature that ranges above mere utilitarianism, we excuse the expense, though it be a little beyond what we can properly afford.

Other charges on our resources are interest payments on our vast borrowings abroad and our share of the general governmental expense on the civil service, which last for the whole country withdraws multitudes from productive and distributive industry. With respect to this, it is to state a truism that every dollar earned by the people must bare its share of the taxes levied, and the higher these become the more does the effective purchasing power of the dollar diminish.

The cost of living in Canada is higher than anywhere else; prices rise markedly as you go from east to west, owing partly no doubt to the great distance of the West from the industrial producing centres, the extra freight always adding to the cost of heavy goods here; coal, for instance, must pay so much freight per ton for every mile it is carried from the mine. But the high cost of living is partly due also to extravagant habits of living; though a moderate indulgence in these is not to be blamed overmuch; we are a virile race living in a most exhilarating climate and we must, if haply we are able, live a large generous life.

A high level of prices is not always bad. It is a mark of prosperity when accompanied by a high level of wages, denoting a higher standard of living for every one; while low prices with but little money denote the reverse. The prosperity must however be well balanced, founded on a sound and extensive industrialism able to give steady employment to working people of all kinds, and to afford them good wages. But for every one, however fit or unfit, always to have to provide for high prices is too strenuous a life, leaving at best too little leisure; and there is the danger of anxiety and distress should the prosperity fail even but a little; while a certain ill-effect is that they make the leading of a simple frugal life more difficult by insensibly fostering among us a luxuriousness foreign to the general habit of conscientious people.

The buoyant sanguine spirit that has done so much to raise the cost of living to us is not to be depreciated—it has also carried the country far on the road to prosperity, but that this advance may endure and be well founded something more is wanted now. The excesses of our late period of growth have ended through exhaustion of the subject and lack of means to go on; the sources of the seeming prosperity that accompanied it have failed; and we are driven to economy and retrenchment—that we may afterwards enter on a naturally succeeding and it is to be hoped more profitable period of develop-

ment and production, which if we use it right we shall certainly come to regard as a golden opportunity afforded us to firmly settle and establish the growth we have attained so far. This growth is by no means ended; only a pause has come for a staid period of consolidation that must intervene before any considerable further step forward can be taken with the best advantage. Let it be seen that an old fashioned attention to the business before us of *producing* become now the rule, no countenance being given to disturbing speculation. All should be got somehow at work—at work of useful development and production and distribution, through which alone can any true and permanent prosperity come to the country.

IV.

Whenever the subject of the resources of this Middle West—of what we produce—is mooted, when we look for what means we have to pay our way, the mind reverts at once to our wheat fields. We have other products than wheat; the oat and barley crops last year were of the value of 90 million dollars, and we have flax, fish, minerals, the timber that skirts our prairies, and many other things; but the market value of all these products together is less than the value of the wheat; they do not bulk so large to the mind nor so strike it as of the first importance.

This foremost place of wheat in our produce has come about from the good prices once obtainable for it for local consumption. But when under such favour it was grown in great quantity it became necessary to export the excess, and this came into competition in the British market, beside American wheat, with the wheat grown by peasant labour in Russia, India, Egypt, and Argentina. The price of their greater quantity of wheat then ruled the price of ours, and the return therefore for our higher priced labour became as low as theirs; though this effect was obscured to us for a time by the accident of good prices for wheat in Britain. The cost of living however is so much higher to our wheat growers than to their foreign competitors that when prices fell the profit left to them was at once felt to be insufficient and some relief is now being sought from the high rate of expense, in a new route to the sea, lower freights, a lower tariff, and a free wheat market to the South. And when we consider that we are growing wheat on the same wages as those peasants, although our scale of living is much higher, and when this is brought home to us, as it has been by the decline in the price of wheat in Britain in late years, we cannot but conclude that in growing it exclusively to the extent we do at such prices we are not making the best possible of our farm lands. In that perhaps we still instinctively cling to the traditional axiom that bread is the staff of life—which however it no longer is to the extent it once was for most people, who in becoming better off have got beyond that simplicity of living and now must have a richer and more varied diet of meat and luxuries of cookery. And as the poorer classes in Britain and Europe (our market) rise in intelligence, their wants too increase and they aim at a higher standard of comfort than any mere living on bread alone; which change it may be is one contributing cause of the low price of wheat now ruling. Yet with all this, wheat is a convenient cash crop for us; growing it is a sure means to get the ready money we must have every year to pay our way; we are under a necessity indeed to grow some considerable quantity of it to pay our living expenses and our current indebtedness abroad. Still, even for this purpose it should be merely an auxiliary to farming, not its chief object.

According to the Dominion Government statisticians the wheat crop of the three prairie provinces for 1913, from a cultivated area of 10 million acres, was 209 million bushels, of a total value (at 67½ cents the bushel) of 141 million dollars. The yield per acre for the several provinces was, for Manitoba 19 bushels, Saskatchewan 21·3 bushels, and Alberta 22·7 bushels, the average of all being 20·8 bushels, which, valuing the land at \$20 the acre, works out to cost with interest 57½ cents per bushel, leaving a surplus to the grower of 10 cents per bushel, or about \$2 per acre. The total surplus accruing to the wheat growers of the three provinces is about 21 million dollars, the remaining 120 million dollars being the cost of growing the crop with interest on the

value of the land. This amount of cost, with a proportion of the 90 million dollars produced by the oat and barley crops, has been the chief means of supporting a large rural population, in farm labour to a small extent and to a larger one in industries akin to farming, with something to the farmer himself, and so certainly has been a great gain to the country. That we have been able to realize these large sums from the produce of the land is an immensely important fact in considering the value of our resources. It shows the land has a substantial revenue-producing value, which without doubt may be greatly increased by more scientific farming. The difference now between the cost of growing the wheat crop and its sale proceeds is hardly indeed a safe margin of profit.

Before all things—and this is the conclusion of the whole matter—the productiveness of the land somehow should, as it may be, increased. A note of doubtful value indeed would attach to the land if the result from such farming as obtains must continue always so poor. The Government statisticians cited above state the total yield of wheat for all Canada in 1913 at 232 million bushels, of the value of 156 million dollars, from a cultivated area of 11 million acres, and the share we in the West take in this wheat culture is evidently too preponderant in our farming. The wheat crop of the three prairie provinces was nine-tenths of the total wheat crop of Canada, whereas our oat and barley crops were each only six-tenths of the total for Canada. So that if our wheat crop had been diminished by one-third or 70 million bushels, it would still have borne the same proportion to the wheat crop of the rest of Canada as our oat and barely crops bear. (The continued preponderance of wheat growing in the West comes now no doubt from the easiness of cultivating our prairie fields.) But though the wheat crop may be increased in yield per acre, yet other branches of farming replacing it partly would pay better.

— We ought long ago more earnestly to have set about improving our agriculture; a way to do which would be not merely to increase the acreage under cultivation, as we are always doing, but also to make every acre yield more by higher intensive culture, with rotation of crops, and further by the general adoption of mixed farming, wherever there is some broken park-like land, and from the nature of the soil and a plenitude of water this is suitable and feasible. The amount of this mixed farming ought in general largely to exceed the wheat growing in extent and value; we should thereby avert the danger of loss through drought or hail or frost, and avoid the present necessity of rushing our chief crop to market at whatever price may rule, and so also the yearly recurrent problem of transportation would be solved. The railways would be busy all the year round instead of being as now over-busy for two months or so in the autumn; while the avoidance of the pressure to ship the crop would besides render feasible a co-operative use of farm machinery, belonging to a number of neighbouring farmers instead of as now wholly to one, every one owning a set, whose heavy cost is felt by all as too great a charge. And more important still, mixed and diversified farming by bringing farms closer together would afford better opportunities of social intercourses among the young people, so keeping them contentedly on the farm while the elders would also be kept there employed the year round. And as such farming flourishes in a neighbourhood so will local industries. The farm indeed is a field for increased productiveness that by serving also as a foundation for industries can, as nothing else can, promote trade and bring permanent prosperity to the West.

That in a general adoption of mixed and widely diversified farming—gradually it must be—lies our best hope, is happily coming to be seen more and more every day; in the last year or two a steady increase in the number of cattle kept on the farms has been discernible in passing through the country. The improvement should be encouraged by all means. The keeping of a proportionate number of cattle and sheep besides pigs on every farm might be effectually brought about by the banks in their temporary advances to farmers and by loan companies. Some wheat lands are certainly overcropped and cattle and sheep ought to be turned on them to restore their

fertility; signs are not wanting of a deterioration in the wheat we are growing—our old-time pride "No. 1 Hard," for instance is almost a thing of the past.

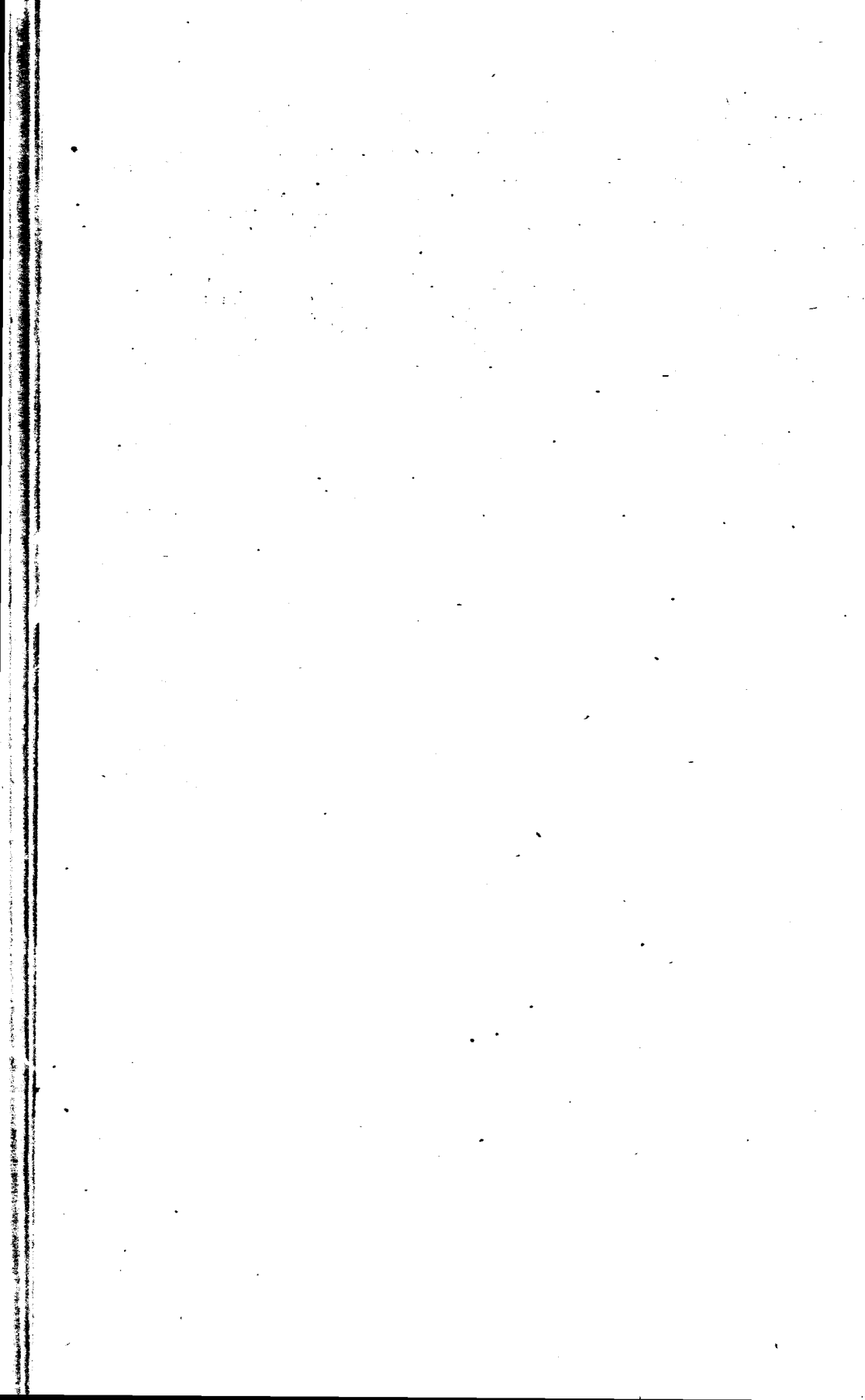
Homesteads have been allowed too freely to encroach on the ranges in the far West and crowd them out. Their cattle might otherwise by this time have stocked all the farms, so cheapening meat for the whole country, whereas now, failing any adequate demand from the farms, the western ranges have to export much of their cattle to the South, and this causes scarcity and high prices to the consumer. This want mixed farming would supply; while also near every town and city there should be extensive market gardens and poultry and dairy farmers the want of which is another great cause of high prices in our housekeeping. With such agricultural resources at hand it is most wasteful not to produce enough of such things to supply our townspeople, but to be obliged to import them at a great extra cost from a distance. With steady encouragement, the law of supply and demand would by-and-by come into operation here and redress the fault, the better prices obtainable for meats overcoming the excessive wheat growing.

This must always be mainly an agricultural country with farming its chief industry, and the ideal before us should for the present be to endeavour to establish first an industrious and prosperous community of farmers, who shall, while farming well, gradually adopt mixed farming where feasible; near whose farms there shall be many small towns and somewhat larger cities, where the farmers' sons on leaving home may build up suitable local industries, which would form the best foundation for more important ones that might afterwards be found advisable and be able to gain a footing in the neighbourhood. The people of the Middle West should all know something of farming; and sufficient land ought to be made available to townspeople somewhere near-by as a field for farming practice, in which they may learn (and then teach) its rudiments, raising household garden supplies in the summer season, instead of idling this wholly away camping out. In some such a way, if generally adopted in large towns, might be found a resource that would do much to alleviate the evil of occasional unemployment.

When this preliminary work is accomplished and our farms are producing greater wealth—wealth that now lies undeveloped, then will arise larger towns and cities here—the few already founded growing much larger, and worthily representing the realized wealth and importance of the Middle West. And then will the country generally be in such a condition of prosperity as farmers have never known yet, while a large population of industrial workers and distributors will be living cheaply and at ease.

J. H. MENZIES, F.C.A.

Bank of Nova Scotia Building, Winnipeg,
June, 1914.



BOARD OF INQUIRY INTO COST OF LIVING,

OTTAWA, June 28, 1915.

To the Right Honourable

Sir ROBERT LAIRD BORDEN, P.C., G.C.M.G., K.C., LL.D.,
Prime Minister.

SUPPLEMENTARY REPORT.

A report by Mr. R. H. Coats, one of the members of the Board, prepared as an exhibit of the Statistical Branch of the Department of Labour, is transmitted herewith—together with two memoranda on the subjects of "Fish" and "Dairying" respectively.

The above, while containing materials transmitted with our former report as Appendices Nos. 1, 2, 3, 4, 5, 6 and 7, also contains new matter.

It is suggested that these materials be printed as Volume II of the report.

Mr. R. H. Coats, one of the members, has not signed the former report. His views on the subject of the inquiry, however, appear in Volume II.

Respectfully submitted,

JOHN McDOUGALD,

Chairman.

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