

Definite Drop In Crime Seen For Ontario

A decrease, described by Premier Hepburn in his Budget address as "slight but definite," in the number of prisoners committed to Ontario correctional institutions since Dec. 31 will be followed by a further reduction through at least the early months of the coming fiscal year, it was forecast in a review of the Reformatory Branch.

Largely because of the closing of the Toronto Industrial Refuge in June last and the closing of the Toronto Industrial Farm in October, an increase in the prison population for the calendar year of 1939 was reported.

PAST PRACTICE FISCAL FOLLY, HOUSE IS TOLD

Loans Negotiated by
Present Regime Call
for Canadian Money

SEES NO ESCAPE

Continuation of the war until September, 1944, along with the present adverse exchange premium of 11 per cent, would mean that the cost of New York exchange to Ontario would be \$13,562,456, Premier Hepburn told the Legislature yesterday in his Budget address. Of this sum \$5,488,162 would have to be paid by Hydro customers, and the balance, some eight million dollars, would be a "dead weight" on the backs of the taxpayers, the Premier declared.

"From this there is no escape, provided, of course, that the Province meets its obligations in the exact terms of the contract," said the Premier. "This the Government intends to do. But I would warn the House that the present premium of 11 per cent may be exceeded. No one at this point can prophesy what the rate of exchange will be one year from today. But if the present rate obtains, it will cost this Government during the next fiscal year \$1,842,913, of which over \$700,000 will be borne by Hydro consumers.

"In view of the difficulties that I have outlined, and the unhappy position in which Ontario is placed because of the folly of former Governments in issuing debentures payable in United States funds, you must agree that this Government is entitled to full credit for borrowing on conditions which require payment in Canadian funds only. Never have we borrowed a dollar repayable in New York funds."

Buying American Exchange.

The Premier pointed out that the Province has direct and guaranteed obligations amounting to more than 300 million dollars which was payable, at the option of the holders, in United States funds. One of the precautionary measures taken by the Government was to purchase New York exchange in anticipation of an adverse exchange rate in the event of war, the Assembly was told.

"All these obligations were entered into by previous Governments," said Mr. Hepburn. "I do not like to adopt an attitude of 'I-told-you-so,' but the House has been reminded on many occasions of the threat that hangs over this Province because of the unwisdom of former Governments in borrowing on debentures which were payable in foreign currency."

The Premier then placed on record a statement showing the interest and principal maturities on debentures payable in New York funds, and the estimated exchange payable thereon for the period from April 1, 1940, to Sept. 16, 1944. The interest totalled \$123,295,060, divided between the Province, \$73,402,676, and Hydro, \$49,892,383. The estimated exchange totalled \$13,562,456, divided between the Province, \$8,074,294, and Hydro, \$5,488,162.

"When times are normal and exchange markets are unhampered by Government restrictions the law of supply and demand operates in respect to foreign exchange very much in the same manner as it does with any commodity of commerce," said Mr. Hepburn. "Operations in foreign exchange are simply the conversion of the currency of one nation into that of another. The nation that imports must pay for what it buys in another country. The nation that exports requires payment for what it sells abroad. In completing payments for those transactions foreign exchange comes into the picture. If this Government had been able to purchase, say, 20 million dollars in New York exchange at favorable rates up to Aug. 31, and no war had broken out, the Government would then have been in the unenviable position of being a seller of New York funds undoubtedly at a loss, and a Treasurer who allowed himself to be caught in such a position could not excuse himself on the ground that he had made provision for the normal requirements of the Treasury. In short, he would have been called a gambler in exchange and a gambler with public money."

Can't Predict Fluctuations.

"Few, if any, are able to predict the fluctuations in exchange in wartime. If many people were able to predict what would happen to foreign exchange it just would not happen. At the present time exchange is stabilized, and I have no complaint to make because of the exchange regulations and the rates that apply for New York funds. That is part of the war program."

In the last war Britain and her Allies were able to borrow tremendous sums of money in the United States. This helped to stabilize exchange for the time being. New York funds were practically never at a premium during the last war, or, at least, if at a premium, the highest rate never exceeded 3 per cent. During the war the pound sterling never dropped below \$4.49, and the low point was reached in September, 1915.

"At present it is said that the Allies have available in the United States in dollar balances, readily salable securities, and other resources over four and one-half billions of dollars. Beyond this, the British Empire and France have gold resources of close to six billion dollars, and they have an annual gold production of three-quarters of a billion dollars. Over and above these resources the Allies cannot hope to make purchases in the United States of America, except from the building up of New York exchange, and this will be brought about by favorable trade balances and through the medium of exchange control.

"Unless the present Neutrality Act, which forbids borrowing by belligerent nations, is modified to permit of borrowing in the United States of America by Great Britain or her Allies, purchases in the U.S.A. must be kept within the limits of the resources that I have enumerated above."

NO MORTGAGOR DISPOSSESSED, SAYS PREMIER

Settlers Given Every
Consideration Under
Loan Act, He States

ALLOWED 4 YEARS

Not one single mortgagor under the Settlers' Loan Act was dispossessed in 1939 and very few, if any, were dispossessed prior to 1939, Premier Hepburn declared in his Budget address in correcting a "mistaken impression that the Government's policy with regard to loans is driving people off their Northern Ontario lands to become relief charges in the city."

While seventy farms were repossessed in the north under the Agricultural Development Act for the fiscal year ending March 31, last, none was repossessed unless it had been abandoned or the Government had been asked by the mortgagor to accept a quit claim deed, or the Government had been compelled to pay insurance premiums and taxes in the mortgagor's behalf, said the Premier.

Policy Is Fixed.

"It has been the fixed policy of the Agricultural Development Board that no mortgagor is to be dispossessed unless he has fallen into arrears of interest for a period of at least four years," the Premier said. "As long as the interest has been paid, we have given the mortgagors every consideration as to principal sums overdue and unpaid."

The Commissioner of Agricultural Loans, added the Premier, has continued to liquidate the loans made by the Agricultural Development Board from 1922 to 1935.

Books of the department on Jan. 31, 1940, showed \$41,661,064.09 outstanding, formed from \$39,584,144.37, principal; \$2,048,592.04 interest and \$28,327.68 sundries. Principal of \$2,028,373.02 and interest of \$1,440,736.87 was collected during the ten months ending Jan. 31.

Mortgagors Assisted.

"This represents an increase of \$279,913.13 over the collections for the corresponding period of last year," said the Premier. "I might stress that all possible means have been taken to assist the mortgagors in meeting their obligations to the Commission. Numerous extensions have been granted for considerable periods of time, and a total of 829 cases have been reamortized for additional periods ranging from twenty to thirty-three years. This number is in addition to 4,945 loans previously reamortized."

"In a great many of these cases the mortgagors are required to pay interest only at 4 per cent annually for a period of three years, as against a 5 per cent interest rate charged by the Federal Government under the Canadian Farm Loan Board."