

# MUNICIPAL DEBENTURES

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UNITED STATES AND ABROAD

COMMUNICATIONS FROM  
- MUNICIPALITIES SOLICITED -

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DEALERS IN

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Municipal Debentures**

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seek a market those banking houses who would buy them are restrained by two important considerations: first, the fear that through some serious legal mistake by the city's counsel, which is usually composed of attorneys appointed more for political reasons than for legal ability, the bonds have not been legally issued; and secondly, because responsible bankers do not feel justified in asking their clientele to buy bonds which they in turn would find difficult to re-market.

The experience of our own house over a long period of years covering a number of serious financial disturbances is that a block of municipal bonds, issued by either a large or small municipality, which had been originally purchased by well known and reputable bankers, can be marketed at a satisfactory price under conditions which make it impossible to sell any other form of security except at a great sacrifice. In fact, clients of ours desiring to raise money during the 1907 panic found it more profitable in a large majority of cases to sell municipal bonds than other securities. During the period of great uncertainty following the opening of the present conflict in Europe, municipal bonds were the first class of security to recover their market equilibrium, and the demand for them continues unabated by the natural result of a steadily advancing market price. The recent protracted period during which the important stock exchanges were closed to trading served to impress upon many people that 'listing' does not necessarily mean ready marketability under any and all conditions."

## Increased Expenditure Justified.

That increased expenditure in most municipalities is justified is shown in the following:—

"The rapid increase in the indebtedness of municipalities has been much commented upon of late. The alarm with which this tendency has been viewed by many students of municipal affairs is hardly justified by a careful study of all the conditions and facts involved.

"If the municipality of to-day did not afford more service of various kinds to its inhabitants and taxpayers, and they are one and the same whether they pay their money directly to the tax receiver or not, than the one of twenty or even five years ago, we would indeed have reason for concern. I venture to say that any reader of this article would find it hard to call to mind any city of size which has not greatly improved in recent years, and if he can it would be one in which he would prefer not to reside. This improved condition cannot be attained without the expenditure of money. Why then should we not measure the results of expenditures at the time of considering debts created in connection therewith? A perusal of the United States census reports will throw some very interesting light on this subject, particularly those figures dealing with the assets of the various cities. Suffice it to say that the figures set forth therein, particularly those dealing with the "realizable" and "unrealizable" assets, as they are termed, will tend to dispel the grave misgivings of those who have them. Should one care to carefully compile all the various services which his local government performs in his behalf and their cost to him if done by private his growing tax bills with less concern; and speaking of agencies and which twenty-five years ago were so attended to and paid for, I have no doubt he would view tax bills leads me to state that so long as they are the necessary accompaniments of public debts they will act as a powerful and efficient brake on the vehicle of municipal progress, whose motive power is supplied by money. If one has doubts of this, let him listen to the din now being raised by a multitude of taxpayers in New York City. Many of these same people a few years ago were loudest in their clamors for public improvements. To be sure, many were real estate holders and speculators who expected to dispose of their taxable property to others at advanced prices, and had not anticipated the paying of increased tax bills themselves. It should be borne in mind that many of the most expensive municipal improvements are or will be self supporting, and in numerous instances the debts in connection therewith are being amortized and will be eventually retired."

## The War's Effect on Municipal Debentures.

In referring to the great war, Mr. Beebe goes on to say:—

"The war in Europe has played a definite part in municipal financing up to the present is certain. Whether it will bear with equal force later is not so certain, although it will no doubt continue to have some bearing on all forms of finances for many years to come. The disturbance caused by the declaration of war served to emphasize the decided and fundamental differences between se-