the two methods, in respect to the bonds authorized for the single year of 1914. The municipality, of course, is a large one, but it will be found that the loss to the smaller municipalities, which are continuing to put out their bonds by the Sinking Fund Method, will be proportionately large, and approximately the same per capita.

The second matter to be discussed is,

2. Rate of Interest Which Loans Should Carry.

It is submitted that bonds issued from time to time should carry a rate of interest which is in harmony with market conditions. For some time past it has been the practice of some of our municipalities to make their issues at a set uniform rate of interest, as though it were a sacred matter to preserve such rate for all of its borrowings. As a rule, the rate so strenuously adhered to is materially less than the prevailing rate and not in keeping with that at which similar securities are bought to yield. The more correct view is, that bonds should be issued at such a rate that the municipality would be enabled to realize approximately par for its issues. The failure to recognize this principle has forced many of our municipalities to dispose of their bonds at heavy discounts.

Effect of Low Interest Rate.

One municipality, which has religiously issued its bonds for a considerable period at a 4½% interest rate, gets over the difficulty by increasing the amount to be borrowed over and above the actual cost of the works for which the loan is provided, to the extent of the expected discount that will have to be made when a sale is effected. An illustration of this is found by referring to a recent by-law of this municipality. The by-law stated that the actual cost of the works amounted to $1,460,000, while the debt incurred and the amount of bonds to be issued was set down at $1,586,612, or $126,612 more than the actual cost of the works. The reason given in the by-law for this large increase in debt over the actual cost of the work was, "To provide for the discount, if any, and the expense incidental to the negotiation and sale of the bonds." There is, of course, no expense incurred in connection with the sale of this municipality's bonds, inasmuch as they are sold by tender, and consequently the debt of the municipality was deliberately increased by $126,612 because it was known that at the rate of interest at which the loan was authorized the bonds could not be sold so as to realize par, or their face value.