

Municipal Finance

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TAX FREE BONDS AND THE MUNICIPALITIES.

There is a growing criticism against the next Dominion Loan being free from taxes, and rightly so for a number of reasons, the principal one being that it will give an opportunity to those who have made excessive profits out of munitions to evade any future retroactive tariff that would touch these same profiteers by the simple process of buying the bonds, with the profits. To the small investor who has and will buy Victory Bonds, because he feels it his duty as a patriot the question of the bonds being tax free means very little, if anything at all, so that the investor who is likely to be affected is the big man who can afford to pay any tax that may be incurred through his carrying such bonds. According to one expert it is computed that if the new loan is issued tax free the loss in revenue to the country will be \$76,000,000.

There is another reason against the issuing of the next Victory Loan tax free—one that will affect the municipalities, as the last issue has already done—namely, it will raise the cost of money for other purposes. So long as the Dominion Government is raising money for purely war purposes it has a right to expect every other public body—whether provincial or municipal—to help by cutting down their borrowings to the lowest possible denomination, and so far as possible this has been carried out. On the other hand the Government itself is under an obligation to these other bodies to help them buy the money absolutely necessary to "carry on" as cheaply as possible—or at least not to put any obstacles in the way. But this is precisely what the government has done—raised obstruction in the way—for consciously or unconsciously, the issuing of the last Victory Loan tax free raised the price of money to such an extent that to-day no municipality can borrow under 7%, and if the next loan is to be also free from taxes the cost of provincial and municipal borrowings will be higher still. Mayor Cater, of Brandon, suggested at the Victoria Convention of the Union of Canadian Municipalities that the Dominion Government borrow for the municipalities. The suggestion was a good one, so far as being able to borrow on better terms than under the present conditions, but there is little hope that such a suggestion would get much support from Ottawa, even if the authorities had the power. What is more it is questionable if such an arrangement would be better in the long run for it would bring those municipalities that had occasion to borrow under the thumb of more authority than they are to-day. There already is a responsibility that the Minister of Finance owes to the municipalities, particularly as he has taken upon himself to check all loans before they are allowed to be made, and that is to see that the municipalities do not suffer by his financing for the country, as they assuredly will be if he insists on the next Victory Loan being tax free.

WINNIPEG'S FINANCES.

The Citizens' Research League, of Winnipeg, has just published a bulletin under the title of "Findings and Recommendations of Your Outside Auditors," which should be of particular interest to other municipalities. It is really a summary of the report of outside auditors appointed by the City Council to make an audit of the city's finances put into such a form as to be easily intelligible to the average reader. In an introduction to the report the league, of which Mr. S. R. Tarr (Editor of Canadian Finance) is President, says:

"Abroad, Winnipeg's financial credit stands high, and deservedly so, thanks largely to a well-administered Sinking Fund which amply safeguards the interests of investors in the City's securities. But, while outside investors are interested most in the capital financing of a city, citizens themselves have an equal if not greater concern in yearly expenditures and the taxation involved by them. It is this "domestic" phase of Civic Financial Administration and Accounting which claims chief attention in the report of the City's outside Auditors. Recognizing, apparently, the citizens' direct interest in the Auditors' findings and recommendations, the City Council, on July 23rd of last year, formally approved of the suggestion that the Report of the Outside Auditors on the Civic Accounts for fiscal year 1916-17 be issued and printed jointly with the City Comptroller's annual report."

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