to pay in the interest payment for a risk which the property does not enable it to carry on its own account; in the other case, the municipality takes at least a part of the risk on its own shoulders. Its relatively ample property enables it to do so; but the difference between the interest paid by it and the interest that would be paid were the money to be borrowed by a joint stock company is not gain, it is an insurance premium on a risk taken by the municipality, and it should be dealt with as such[1].

Apart from the question whether the public authorities are entitled to embark on speculative enterprises with the funds of the public, there is to be considered the effect upon the borrowing powers of the municipalities, of incidental additions to their debts, caused by embarkation on public service enterprises.

If a municipality borrows even for productive purposes large sums every year or two, its securities are apt to clog the market, and however high the city may stand financially, it may be difficult on occasion to negotiate its securities. Even national governments find these difficulties at times. A distributed load is generally preferred to a concentrated one. The equilibrium is more stable.

The presumption is that the more a city borrows in proportion to the total taxable value of the property of the citizens, the higher rates, other things being equal, will the city have to pay ultimately on the whole of its debt.

If loans are contracted with specific liens upon particular productive enterprises, they will be effected at a higher rate of interest than would be the case otherwise; because the margin of value for risk is less.

So far as interest on borrowed capital is concerned,

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[1]The question of risk has been fully discussed by Major Darwin in his remarkable book on *Municipal Trading*.