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MUNICIPAL FINANCING.

The problem of municipal financing is one of the most important of the many economic and financial difficulties with which the Dominion is at present faced. Broadly speaking, in the last ten years or so, up to, say, 1913, there was no problem of this kind in existence. Municipal authorities that wanted to borrow simply went out and borrowed, the smaller through home channels, the larger—and some of the smaller—in the English market. During those years, Canadian municipal securities were in high favor abroad, cities and towns were growing fast, assessments increased as the population expanded, and borrowed money was freely spent. At the present time, these conditions have been almost entirely reversed. The London market is closed to borrowers, the population of some centres is probably at a standstill, if it has not actually decreased, assessments no longer expand, there is no money to spend. It has been found that the spendings in periods of prosperity were in certain cases of an extravagant character and circumstances have not been improved by the obstinacy of certain municipal authorities in refusing for a considerable period to heed expert advice in regard to their borrowings and to recognise the change in conditions in the lending markets.

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By this time, however, the necessity for stern economy on the part of public authorities is becoming generally recognised and the advisability of altering methods to suit changed conditions appreciated. The municipalities can no longer borrow in the London market; for some time at least, they have to look either at home or to the States. Methods which suited London will not necessarily suit the new lenders. Mr. T. Bradshaw, in a paper read before the Ontario Municipal Association the other day, recommended the use of the instalment system of repayment, either annuity or serial, instead of the sinking fund method, chiefly because of the heavy financial loss involved in the sinking fund method in comparison with the other. Many of the smaller Ontario municipalities

issue only instalment bonds, and in this, said Mr. Bradshaw, they have shown greater wisdom than important cities, most of which still persist in obtaining their loans by the issue of long-term sinking fund bonds.

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On this point it may be remarked that when our larger cities were borrowing in London they had little choice in this matter. They borrowed in the regular course by public appeals to British investors and were naturally compelled to adopt the methods of financing best understood and appreciated by the public to whom they were appealing. Knowledge of the London market suggests that a public issue of instalment bonds there would have had small chances of acceptance. What may have been done through sales by private negotiations is another matter. But so far as public issues were concerned, long term sinking fund bonds were the most practicable. Admittedly, as Mr. Bradshaw points out, they are more expensive to the municipality than instalment bonds and in addition, they give the temptation of tampering with the sinking fund. But is not the municipal borrower very much at the mercy of the lender in this matter? If, for instance, the United States market would be prepared to absorb readily a large issue of instalment bonds by Montreal or Toronto at approximately the same rate as long term sinking fund bonds, then the municipal authorities of those centres would be foolish to ignore the obvious economy that could be practised by the issue of the former. Will the United States do that? If so, the course is clear; if not it would seem that the large cities will be compelled to adhere to their present system in order to market their bonds readily. The smaller municipalities' issues can generally be readily absorbed by those investors who recognise the value of the instalment system to them, as at one and the same time being an economy to the borrower and an improvement of the security of the lender. With those investors, these solid advantages outweigh custom or prejudice. The fact remains, however, that there are, under normal circumstances, important channels of absorption of Canadian municipal bonds which do not favor the instalment system. If they can be persuaded to favor it, well and good. But surely the ultimate decision on this point must rest with the lender rather than the borrower.

ESTIMATION OF WESTERN CROPS.

The Manitoba Free Press publishes its annual estimate of the western crops showing wheat as 222,184,071 bushels, oats, 253,392,375 bushels, barley, 54,044,138 bushels, flax, 6,645,370 bushels. While, says the Free Press, the wheat estimate falls below figures persistently announced elsewhere, it is very satisfactory, being 36 millions higher than any previous wheat crop reaped in the West.