

THE BANKS' MUNICIPAL LOANS.

The most interesting innovation contained in the new bank return is that by which is shown the amount of the banks' loans to cities, towns, municipalities and school districts. Under the old Act the amount of these loans was lumped together in the monthly return with current loans and discounts in Canada, and it was not possible to ascertain the amount of the municipal loans *per se*. The course of recent events has considerably stimulated public curiosity in regard to this point. It became known some time ago that the banks had begun to urge upon the municipalities the reduction of their bank loans through the sale of their bonds—a course of action which in some cases it appears, the municipalities were loathe to follow on account of their inability to recognise the change in circumstances by which they have lately been compelled to pay higher rates than formerly upon their loans. At the same time those municipalities who wished to continue the practise of financing new public works by means of loans from the banks pending subsequent issues of securities found the banks less disposed than formerly to accede to their requests, owing to the fact, that new issues were not so easily placed. In the general discussion which has followed upon these events, one financial authority put forward the opinion that the banks' loans to the municipalities aggregated \$100,000,000. Either the total of these loans has been sweepingly reduced during the past few months or, as seems more probable, this estimate was much above the actual figures, for it turns out that at the close of July, the banks' loans to the various classes of public authorities enumerated totalled \$43,121,384. The details are as follows:—

Montreal	\$6,494,440
Quebec	306,669
Nova Scotia	723,781
British	4,906,247
Toronto	2,381,317
Molsons	982,139
Nationale	542,569
Merchants	1,315,716
Provinciale	248,597
Union	3,739,229
Commerce	4,166,519
Royal	3,316,662
Dominion	727,383
Hamilton	1,536,117
Standard	1,513,568
Hochelega	2,148,452
Ottawa	3,813,173
Imperial	3,274,706
Metropolitan	68,058
Home	242,863
Northern Crown	398,780
Sterling	156,200
Vancouver	83,133
Weyburn	35,456
Total	\$43,121,384

PROBABLE REDUCTION IN NEAR FUTURE.

From this table it will be seen that the Bank of

Montreal has the largest amount of these loans with \$6,494,440. The Bank of British North America comes second in amount with \$4,006,247, the Canadian Bank of Commerce third, with \$4,166,519, the Bank of Ottawa, fourth, with \$3,813,173, the Union Bank, fifth, with \$3,739,229, the Royal, sixth, with \$3,316,662, and the Imperial, seventh, with \$3,274,706. It will be further observed that some of the important banks have comparatively small amounts of these loans—suggesting a deliberate policy of not actively seeking business of this kind. It is probable that the total of \$43,000,000 is a somewhat smaller one than would have been shown had the return been made a few months previously, although as has been already suggested, it seems rather an over-estimate that these bank loans to municipalities reached at their apex \$100,000,000 in amount. But the adoption by the banks of a policy of loaning less freely in this connection has probably had the effect of reducing the aggregate amount of these loans. And it may reasonably be anticipated also that the general tendency will be towards a lessening of the aggregate of these loans during the next few months. The municipalities will be encouraged to dispose of their debentures as opportunity offers and thereby liquidate loans made for permanent works.

METHODS OF MUNICIPAL BORROWING.

It was recently explained by Sir Edmund Walker that the municipalities borrow in two distinct ways. They borrow from the banks to provide for ordinary routine work in order to overcome the difficulty of waiting until they have collected their taxes. This they are permitted by the Municipal Act to do to the extent of 80 per cent. of the tax toll. They also borrow from the banks—or have done in the past—in anticipation of the sale of securities in London or elsewhere, which may have been authorized for some particular municipal undertaking—water supply, sewers, pavements.

The latter practice grew up as a result of the ease with which Canadian municipal bonds were sold in England. It was simpler for a city to complete the particular piece of work it was authorised to undertake and then issue its bonds than to guess at the ultimate cost and delay starting work until it had the money in hand. The banks were quite agreeable, in view of the fact that there was likely to be no trouble about raising the money eventually. Now that municipal bonds are less welcome in London as they used to be, the banks decline to lend on the old terms. Thus it is that for the present at least the municipalities have to submit to a curtailment of activity.