VICTORY BOND TRADING

REDUCED prices for Victory bonds and an increased margin of profit were announced this week by the committee in charge. The change was made, says a despatch from Ottawa, in line with the policy of making the Dominion's bonds the most attractive investments obtainable in Canada. But charging a margin of one per cent. between buyer and seller, when other bonds are traded in on the stock exchanges at a margin of one-quarter per cent., has the opposite effect, and if the Dominion government gives its approval to such a restriction in trading it is not acting in the best interests of those who have invested in its securities. Moreover, the increased margin, which was arranged to enable the dealers to put more effort into selling the bonds, stimulates the demand for them to a corresponding degree, and thereby maintains the price and makes the securities less attractive than would otherwise be the case.

There is no reason why an association of dealers, who do not enjoy a monopoly, should not make any arrangement they may see fit to make with reference to handling any security. Bond dealers recognized by the Bond Dealers Association, and members of the Montreal and Toronto stock exchanges, subscribed to the arrangement made in January, but there are others who operate independently, although their prices are largely governed by those fixed by the committee.

FINANCING IRRIGATION IN CANADA

FURTHER contingent liabilities should not be assumed by the Canadian provinces, or by the Dominion, when the finances of these governments are already severely strained in an effort to meet their present obligations. Interest charges are one of the most important items in these obligations, and numerous guarantees of railways and other projects have had to be made good by the public. These guarantees were extended by the Dominion and by western provinces with a view to assisting in development, but it was not anticipated that they would fail to meet their obligations. Had the projects in question been financed solely on their own credit, they would have been subjected to a careful examination by investors, and some of the poorer ones would never have been undertaken. In the desire for development, the fact has been overlooked that industries which cannot pay their own way are worse than useless.

Some irrigation plans, involving large expenditures of capital, are at present being made in Alberta. It is probable that about $50 per acre will have to be borrowed, and an effort is being made to have the province, and possibly the Dominion, guarantee the securities. In the provincial legislature on February 20th, the premier, Hon. Chas. Stewart, outlined a plan for financing the work in northern Alberta. First, the government would ask the legislature to provide authority for the creation of a council or irrigation commission with the most drastic control over the entire project, including construction, the sale of bonds, assessment of the district, and the fixing of the tax rate. It was estimated, in the case of the Lethbridge Northern, that the construction would require two years, and the financing plan contemplated no interest charge during that period. All the figures obtained were the utmost maximum, the premier having previously stated that these were based on an estimate of $50 per acre. "We will then ask the legislature," said the premier, "to set aside a sum to guarantee, if need be, the interest payable upon the bond issues. This sum will be used, if need be, for two purposes—to guarantee the interest, and to provide funds for necessary construction work for an official trustee, if he should be put in charge." This fund, which in this particular instance would be about $500,000, could be expended by order-in-council through an official trustee who would be installed in place of the regular trustees for the district. When questioned as to whether it constituted a guarantee of the bonds, he maintained that it did not.

While it is necessary that the government create the organization of such districts, and empower them to levy taxes to ensure the revenue, any borrowing should be strictly on the merits of the works themselves, and no guarantee, either Dominion or provincial, should be extended. Construction costs are at a maximum at present and any project involving heavy capital outlay will find its interest charges a severe burden in future years, even if the work itself is economically sound. The western provinces, as they now find, viewed railway development with too great optimism, and a venture into the irrigation field will not benefit their credit; moreover, a beneficent Dominion government may not always be willing to assume guarantees extended by the provinces.

Some irrigation schemes in the United States failed, and investors lost money, but many of them succeeded. There is no reason why the bonds of a Canadian irrigation district, properly planned, and with adequate taxes to be levied under provincial authority, should not enjoy a good market, second only to that for municipals, in the United States and Canada. Eugene B. Favre, of Murphey, Favre and Co., Spokane, who was in Alberta a few days ago looking over the plans there, expressed the view that in irrigation bonds are a safe investment, and that $50 per acre was not high compared with the rate at which similar schemes in the United States are bonded.

CONTROL OF MUNICIPAL EXPENDITURE

PRESSURE is being brought to bear upon municipal councils in all parts of Canada towards raising expenditures to new levels based upon present inflated values. Considering the fact that cities are faced with a severe business depression, which will be accompanied by falling real estate values, reduced revenue, and much unemployment, a strengthening in municipal finances is much more important at the present time. Public works undertaken now would mean abnormally high interest charges over a difficult period. Municipal employees, in a spirit of opportunism, are trying to establish permanent wage scales at present levels, and have not hesitated to use their extensive political influence in this direction. It is usually overlooked that wages prevailing in industry vary more than those of public officials, and that while they have risen more rapidly than have the latter, they will also fall more quickly and to a corresponding extent. Public expenditures are reduced only with great difficulty, and municipal councils should, therefore, strive to prevent their rise.

The difficulty is aggravated in some cities by the delegation of too much authority to bodies other than the council, where such bodies are not required to submit their estimates in detail, the best practice in public finance is violated. In national government in Great Britain, the United States and Canada, and in states and provinces on this continent, detailed estimates are placed before the legislature, which is thus enabled to reduce appropriations to amounts suitable to the wishes of the taxpayers. Municipal councils are just as competent in proportion to their responsibilities, and methods which have worked so well in national and provincial governments are equally applicable in the municipal sphere. In Toronto, the board of education and the board of police commissioners, the finances of which are not subject to a detailed examination by the council, have submitted estimates for greatly increased expenditure, including new wage scales which are even higher than wages paid for similar work elsewhere, yet the most the city council can do is endeavor to have the totals reduced. It is to be expected that such bodies should be in sympathy with their employees, but the final decision on questions of expenditure should rest with the elective council which is looked upon as being responsible for the tax rate, and which, therefore, best expresses the wishes of the electors.