

SELLING MUNICIPALS LOCALLY NOT A SUCCESS

Canadian Cities and Towns Have Tried It—What an Authority Thinks

A number of Canadian municipalities have endeavoured to sell their debentures over the counter to local investors. *The Monetary Times* has not heard of any startling success in these experiments. The claim has been heard frequently of late that municipal bond sales would be more successful if the authorities adopted a direct method of disposing of securities. For instance, in criticism of the last New York sale, one of the newspapers, editorially, denounced the present method of selling city bonds and claimed that the officials were even derelict in not going direct to the public and offering the bonds in the form that is commonly called "over the counter." It is also claimed that the officials depend too much upon the banking community and too little upon the public.

Educating the Public.

Mr. W. A. Prendergast, controller of the city of New York, discussed the subject in an interesting address to the National Association of Credit Men.

"There is no reason whatever," he said, "why our people should not be educated to an appreciation of the securities of their own cities and states and nation, and possibly we have been remiss in not having undertaken this before. The habits of a people, however, are generally pretty firmly established and the habit of most of our people has been to place their money in savings banks. They prefer to put their money where they can get it in case of need.

"The last bond sale of the city of New York was advertised all over this country. Papers in the smaller cities were used, but there was nothing whatever to indicate by the bids offered that the sale had been popularized to any extent. Philadelphia had a recent so-called popular bond sale. Mayor Blankenburg disposed of the bonds 'over the counter.' The authorized offering was \$7,000,000 at 4 per cent.

As to the Popular Sale.

"I do not want to deprive good Mayor Blankenburg of any of the satisfaction and credit he can derive from the success of his 'popular sale,' but an analysis of the figures as they have been presented to me, does not indicate any such widespread interest in this sale as the press agent implies. For instance, of the entire offering of \$7,000,000, \$4,150,000 was actually subscribed and paid for by 591 subscribers. The population of Philadelphia in 1910 was 1,549,008. There were subscribers for \$100 and upward, but the Commissioners of the Sinking Fund of Philadelphia, one of the popular subscribers, bought \$1,225,000 worth of the bonds. The bidders also included twenty-five banks and trust companies, whose aggregate bid was \$1,015,000. It is reported that after the first day's experience, fearing the sale would not be a success, the good Mayor had to call upon the principal of the leading banking house to stir up interest in the sale, and one of the methods employed was to induce banks which held city deposits to subscribe for a portion of the bonds, a plea, which to their honor be it said, did not fall deafly upon their patriotic ears; so that the total popular subscription of the entire amount of \$4,150,000 was only \$1,910,000.

"The city of St. Paul has been referred to lately as a municipality that was breaking away from the old traditions of security selling, and appealing directly to its own people, but an analysis of the plan followed there proves that the method employed is hardly one which could be undertaken by any city having a very considerable offering to make. It appears from the description of this sale that Mr. James J. Hill, to whom Minnesota and the nation at large owe a very great debt for the wonderful genius and enterprise with which he has met both private and public responsibility, has undertaken to finance or promote St. Paul's bond sales. This has been accomplished by organizing a board of trustees which becomes responsible for the payment of the bonds which are to be sold 'over the counter' by the Northwestern Trust Company, with the proviso that the Northwestern Trust Company will refund, upon demand, the amount of any purchase.

It is no Solution.

"It is manifest that private capital could not imitate Mr. Hill's example and attempt to promote a considerable sale of bonds such as would have to be met by one of the larger cities of the country from time to time. So that this plan, while admirable in itself, cannot be accepted as a remedy for existing difficulties.

"It will be recalled that during Mr. Cleveland's administration he was bitterly attacked for selling United States securities directly to a banking syndicate, and so strong did the opposition to this action become that on the next occa-

sion that the Government had to borrow money in order to maintain its gold reserve, an attempt was made to have a so-called popular sale. Those who by their agitation brought about this sale have always maintained that it was a great success, but an examination of the results of the sale does not justify any such claim. For instance, the entire sale was for \$100,000,000 at 4 per cent. The total subscriptions received amounted to \$526,000,000. All the states and territories of this nation furnished 4,635 bids. Only 818 bids were finally accepted. \$62,321,150 went to general bidders, the balance of the sale (\$37,000,000) was awarded to a syndicate organized by Messrs. J. P. Morgan and Company, who overbid the great mass of the subscribers.

To Make an Intelligent Bid.

"Speaking of the difficulty of inducing the people to subscribe for bonds Mr. Cleveland says, in his 'Presidential Problems': 'That it was difficult for an ordinary person to make the rather confusing computation of premium and other factors necessary to a safe and intelligent bid. In a transaction of this sort, when the smallest fraction of a cent may determine the success of an offer, those accustomed to the niceties of financial calculations are apt to hold the field to the exclusion of many who, unaided, dare not trust themselves in the haze of such intricacies.'

"It is not my purpose to decry attempts to popularize our bond sales, but I consider it necessary to show to what extent we are at the present time prepared for such popular sales, or our people are disposed to support such popular sales in order that if our habits are ever to become the same as those of the French people, we must understand that there is a great educational work to be done."

A USEFUL HINT TO CANADIAN BORROWERS

The fact that several Canadian issues—including three municipal loans—have made their appearance during the past week or two should not, of course, be interpreted in the Dominion as meaning that the situation has become favorable for Canadian emissions, says "Canada." As a matter of fact, the general situation has slightly improved, but the Canadian issues that have made their debut have come in spite of unfavorable conditions, and their sponsors have been forced to accept the more onerous terms now demanded by the market and the investor. Another reason why Winnipeg and Vancouver have made their appeals at the present juncture is because the new issue season is practically at an end, and it would seem that these two borrowers preferred to accept the low prices rendered necessary by present abnormal investment conditions rather than wait until the autumn, with all its financial uncertainty. The successes of Winnipeg and Vancouver, whether natural or artificial, will have a good effect on the bond market and the situation as a whole, but the Canadian municipalities are not yet out of the wood, and there are a good many stiles still to be crossed before the situation can become one of comfort to those responsible for the financing of their requirements.

AMERICAN LIFE INSURANCE CONVENTION

The annual meeting of the American Life Convention is being held at St. Paul, Minn., on August 20th, 21st and 22nd. The convention is composed of one hundred life insurance companies of the United States, representing thirty-one States, and the organization is continually growing. The aggregate business of the American Life Convention companies last year was \$1,550,000,000, a gain over the preceding year of \$250,000,000. The assets of the companies have reached the aggregate of \$188,000,000, a gain of \$25,000,000, and the aggregate reserves, which are now \$140,000,000, gained last year \$22,000,000. And the figures are rising every minute.

The preparations for the annual meeting at St. Paul, which will be held at the St. Paul Hotel, have been in the hands of the executive committee, of which Mr. W. A. Lindly, general agent of the Security Mutual Life at Lincoln, Nebraska, and president of the American Life Convention, is at the head. The other members of the committee are: Messrs. Isaac Miller Hamilton, president of the Federal Life, Chicago, Ill.; T. W. Vardell, president of the Southwestern Life, Dallas, Texas; Thos. L. Miller, president of the West Coast Life, San Francisco, Cal.; C. A. Grimsley, president of the Jefferson Standard Life, Greensboro, N.C.; M. D. Johnson, president of the Florida Life, Jacksonville, Fla.; E. W. Randall, president of the Minnesota Mutual, St. Paul, Minn.; and T. W. Blackburn, secretary and counsel, Omaha, Neb.

Chatham's tax rate is 24 mills, a reduction of 3½ mills. Walkerville's rate is 13 mills, a decrease of 2 mills.