PROBLEMS OF MUNICIPAL FINANCING.

(Written for the Monetary Times.)

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The marketing of debentures and the desirability of establishing some method of concerted action for the improvement of existing conditions in this connection is a subject of the most serious importance to all Canadian municipalities, worthy of their earnest consideration and best endeavors for remedial action by united effort.

Canadian Municipal Debentures Sacrificed.

Canadian municipal debentures are practically going a-begging for purchasers at an abnormally high rate of interest, and money for municipal development is costing more than money is actually worth, if a fair distribution of the world's wealth can be utilized and applied to the requirements of the world's progress in an equable manner.

Canadian progress generally is being crippled and retarded because Canadian capital is insufficient for its development, and British and foreign capital, which might be secured to make good this deficiency, is being directed into other channels, which in many cases are undoubtedly less productive.

Canadian financiers and financial journals tell us that there is a universal money stringency and that the situation is only accentuated in Canada by extraordinarily rapid expansion in industrial enterprises generally and municipal activity in particular, the natural outcome of a long, protracted period of prosperity and modern quick movement development.

Other Centres not Unfortunate.

This is no doubt true to a large extent, but it remains to be shown that the situation cannot be remedied or improved if proper methods are adopted. I think it is extremely doubtful if any British or European municipality has, at any time during the present money tightness, been compelled to pay anything like the high cost which has been imposed upon some Canadian municipalities for their requirements. The best money markets in the world are practically closed to us, as individual efforts are futile and ineffective largely on account of the expense and loss of time necessary for proper representation.

It is plain that we must look outside of Canada for relief from this situation, but apparently the British and foreign investors know so little about our securities and have so little opportunity of securing authentic and reliable information regarding them that it is quite reasonable to conclude that less remunerative, and perhaps less reliable, investments are proving more attractive merely because they have become familiar with them.

Educate the Man of the Past.

When we reflect how reckless and extravagant the expenditure of our infantile corporations must appear to the investor resident in some centuries old, moss embowered bailliewick, which dreads the innovation and fears the risk of introducing one or other of the many modern advantages which our cities enjoy and undertake the responsibility for, it is not at all to be wondered at that the good man should regard with suspicion the risking of the prospective patrimony of his heirs in what must appear to him a most unstable and unreliable security.

Could we, however, get the good man to see the method in our apparent madness and appreciate the soundness of the principles employed in the building up within a lifetime a community of as great a world-importance as some other, with whose centuries of evolution he is personally familiar, and can place within his reach authentic and reliable figures and information in proof of this, he would undoubtedly be convinced and satisfied to have his pounds or francs, as the case may be, converted into Canadian dollars for our benefit, secure in the assurance of its being afterwards reconverted into his familiar currency in an enhanced amount for the benefit of himself and his heirs.

Permanent Office and Foreign Correspondents.

It appears reasonable to me that the Union of Municipalities might undertake this work with a greater assurance of success and less cost than would be incurred by individual effort on the part of its members. Should this work be undertaken by the Union, it will be desirable, if not absolutely essential, that it be placed under the authority, control, and supervision of a committee or commission composed of the most prominent officials or members of the Union to convey a confirmed guarantee for their representations and actions. As the actual duties to be performed will be arduous and continuous, it will be necessary for this commission or committee to have a permanent office, say, in Montreal, with a permanent salaried official and the necessary assistance and equipment, and be empowered to engage agents or correspondents in London and Paris.

To organize this bureau and carry on the work considerable expense will be incurred, the burden of which should be divided among all the municipalities in the Union in proportion of their population; it should not be burdensome or likely to greatly exceed the expense to which they have in the past been put in connection with debenture sales, from which they may in the future be largely, if not entirely, relieved.

Duties of the Proposed Bureau.

The work to be undertaken by the proposed Bureau of Information would be as follows:—

The collection and tabulation of complete statistics, arranged in such form as will appeal most readily to the bond-buyers, and set forth the financial standing of all municipalities in the Union.

The collection of information from outside sources and the issuing of circulars conveying to all municipalities the fullest information in regard to the present and prospective conditions of the money market in general and municipal debentures, sales and prospects in particular.

The advertising of debenture sales, placing the information in the most advantageous market in the most attractive manner, supervising the printing and engraving of debentures, which may be done under a general contract much more cheaply and expeditiously than at present, the furnishing of declarations and the filling of solicitors' requisitions as to the legality of by-laws and validity of debentures, the direction of all arrangements for the payment of money by either party and for securing the best rates of exchange on same, thus relieving the individual municipality in the greatest possible measure from the trouble, expense and delay in connection with sale transactions.

Arrangements for Temporary Loans.

To undertake negotiations with banks or other financial institutions for the placing of temporary loans to municipalities pending the issue and sale of debentures.

To act as an advisory board in all matters pertaining to municipal financing, and thereby exercising a criticizing influence upon municipal expenditure with a view to preservation of our national municipal credit, and keeping it up to such a high standard as will warrant the best results for each individual municipality and be creditable to the whole collectively.

In this latter connection a wide field is opened, but it may be advisable to confine the power of the Bureau within definite limitations to safeguard against the dangers of bureaucracy and preserve the right of all municipalities to control their own affairs, except in so far as their actions may affect the general credit of Canadian municipalities.

Some Limitations of Power.

The power so conferred should not, and legally cannot, go beyond the provisions of the municipal statutes or charter of incorporation by which we are controlled, but may be more direct in its application. In consideration of the advantages to be gained it is reasonable to infer that all municipalities should be satisfied to submit to a reasonable amount of restraint, which in its application cannot exceed the giving of force and effect to the legislative enactments by which we obtained our corporate existence.

Here are some of the benefits and advantages to be obtained from such a system:—

The advantages of having more complete and reliable information in regard to the state of the money market in general, and municipal financial prospects in particular, than are at present obtainable.

The benefit of intelligent and reliable assistance and advice in the borrowing of money, the selling of debentures, and all matters of financial concern.

Cheaper Municipal Improvements.

The more ready acquisition of money at cheaper rates of interest and consequent lessening of cost of all municipal undertakings and municipal developments.

The promoting of better accounting and auditing methods and practice, as treasurers and auditors would be induced to adopt a uniformity of system and place the greatest importance upon matters which are most essential to the welfare of their respective municipalities.

The establishment of a direct and continuous community of interest in which all would participate would tend to solidify the Union, as it would be the means of conveying a direct benefit to each and every municipality.

To Deal Intelligently with Problems.

The course which I have outlined appears to me to not only offer a solution to what is at present a very difficult problem, but opens a prospect of dealing intelligently with all of the many and intricate questions of municipal financing.

The Colonial Engineering Company, of Montreal, have received orders for Hornsby-Stockport gas engines from the following concerns: Ames-Holden, Limited, and Messrs. Lamontagne, Limited; The Empire Manufacturing Company, London; the City of Chatham for a municipal plant; Anchor Fence Company, Stratford; and the Dominion Brewery, of Toronto.