A FREE MARKET FOR MUNICIPAL SECURITIES.

In the address of Mr. Sanford Evans, ex-Mayor of Winnipeg, before the recent convention of the League of American Municipalities, stress was laid upon the advantages which a municipality secures by issuing in London a form of security which has a free market. The *penchant* of English private investors for a security of large volume which is listed on the London Stock Exchange, and is regularly and freely dealt in, is well known to everyone acquainted with English investment conditions, and the point is well worth making at the present time because several of the Canadian municipalities have acted foolishly in failing to consider the idiosyncracies of the English investor in this connection. Even in some cases where the aggregate of their borrowings has been very large, they have followed the practice of issuing securities in different classes of comparatively small amounts. In consequence there has been but a narrow and restricted market for each of these classes of security and the price of them has suffered. It would have been just as easy to create a standard form of security and issue from time to time new instalments of it, and there can be no doubt that the benefits of following the best practise on this point would have been felt in enhanced credit.

The point is only of importance, of course, where a public appeal is made by a municipality whose borrowings over a term of years are large. To the institutional investors—insurance companies and others—who absorb the great bulk of the securities issued by the smaller municipalities, a free market is not such a recommendation. But in the case of the larger municipalities who make a wide appeal, Mr. Sanford Evans' point is well worth keeping in mind.

CANADA'S BALANCE OF TRADE.

An Important Contribution by Professor Adam Shortt —How Recent Tendencies have Increased Imports —Probabilities of the Future—No Serious Disturbance of Exchanges Likely.

An important contribution on the subject of Canada's balance of trade has been published by Professor Adam Shortt, who points out that for over a decade past Canadian imports have increasingly exceeded Canadian exports until for the 12 months ended April 30, 1913, the returns show imports exceeding exports by $287,130,040. At the same time during this period of expanding imports, the balance of exchange in gold has not been against Canada, but on the whole in her favour.

Borrowings of Outside Capital the Explanation.

The explanation of what appears to be at first sight an anomalous condition of international trade is simple, says Dr. Shortt, though the secondary consequences may be somewhat complex and remote. The great proportionate excess of Canadian imports over exports has at once resulted from, and is offset by the borrowing of outside capital by Canadian Governments, corporations and individuals and by the direct investment of outside capitalists in Canadian real estate, mines, timber and various enterprises. The chief channels through which these investments affect the imports and exports of the country may be summarised as follows. The largest investments of borrowed capital, representing hundreds of millions, have been made by the various public authorities,—the Dominion and Provincial Governments and the Municipal Corporations. The three great railway systems of Canada also account for scores of millions, while many other corporations of a semi-public or purely commercial nature, real estate and other investments aggregate a vast total. It is not necessary for our present purpose to consider to what extent the investments made by these various bodies have been necessary, or unnecessary, or whether they are likely to prove profitable or unprofitable. It is an essential fact that the majority of the investments, which have absorbed so many hundreds of millions of borrowed capital, have been of such a nature that while the capital was expended within a few years, many of the returns from them, however beneficial in their effects, will not take an economic form or figure in future exports, as in the case of hundreds of expensive public buildings, civic expenditures of various kinds, churches, clubs, etc. In other cases the returns cannot possibly be immediate, but must extend over many decades, or even centuries, as in the case of railway systems, canals, harbours, city improvements, etc. In many cases also the product must represent educational and social services, which however beneficial to the public or ultimately contributory to the general progress of the country, will not for some time at least affect the production of articles for export or materially diminish imports.

Conditions Curtailing Exports and Increasing Imports.

Looking at some of our recent investments of borrowed capital a little more closely, we find that in consequence of the disproportionate investment of capital in permanent but for the time unproductive enterprises of great cost, such as the new railway lines, thousands of immigrants and native Canadians, with all the merchants, manufacturers and middle men more or less dependent upon them, have been employed in building and equipping these railway systems. In their various capacities these people require at once for their means of sustenance, and for the materials, instruments and equipment for their work, a vast amount of domestic products in the way of food, housing, clothing and general supplies. Similarly they require great quantities and a wide range of imported goods. Now the amount of domestic products purchased by these people, who are supported by borrowed capital, diminishes the amount of such articles normally available for export, while the amount of foreign supplies furnished to them greatly increases the imports from abroad. Thus the same conditions curtail the exports on the one hand and increase the imports on the other. Such a situation is made possible only where supported by borrowed capital.

Expansion of the Cities.

Again, one finds that scores of new towns and villages have sprung up throughout western Canada