MONEY AND MAGNATES

Bargain Days in Stocks

CANADIANS should remember that the present decline in the stock market is world-wide, and not local. These are bargain days for men who have courage. The better Canadian stocks are selling at a level much below their intrinsic value. Two years ago the prices were too high; to-day the prices are too low. Of course, only a few of the wise ones will buy. This has always been the rule, and there is no reason to believe that the present generation is much wiser than that which preceded it. The tremendous increase in savings banks deposits shows that the average Canadian has been very timid during the past three months. He will probably continue to be timid until stocks have again risen to a normal level, and he will thus miss the great opportunities at present staring him in the face.

Did Toronto Lose $800,000?

THEORETICALLY every large city should be paying the same rate of interest on its borrowings. There is no reason why Montreal should pay a different rate from Toronto or Ottawa or Winnipeg. Perhaps the newer cities in the West should pay a little higher rate since their future is not so fully assured. Yet the rate which even these Western cities should pay should not be materially higher than that paid by Eastern cities. Small cities usually pay a higher rate than large cities.

Any difference in the rate of interest paid by cities is due largely to the difference in the calibre of the men who are at the head of affairs, and to the system which these men work under. In this respect Montreal is one of the best managed cities, if not the best, in Canada. This is surprising, considering the general charges that are made that the city government of Montreal is very poor. Montreal may spend its money badly, but it borrows it well. The aldermen, elected by the people, do the spending, but they do not interfere with the borrowing. Even the City Treasurer has little to do with this most important function. When Montreal wants to borrow money or sell bonds, it puts the whole matter in the hands of the general manager of one of the largest banks. This gentleman, not being elected by the people and not answerable to them, conducts his business on purely business principles. He gets the money where and when he can get it the cheapest. He is in touch with the money markets of the world and has the very best available information. Hence he is in a position to give the very best advice to his client, the City of Montreal.

Toronto works on a different principle. The officials at the Toronto City Hall seem to think that they know more than the leading bankers in Toronto. Perhaps they do. But the business men of Toronto trust the bankers of Toronto and go to them for financial advice. The corporation, controlled by the City Treasurer, the Board of Control and the Board of Aldermen, is the only institution in that city which disdains to ask Sir Edmund Walker, Sir Edmund Osler, Mr. D. R. Wilkie and the other bank presidents for advice in money matters. In brief, the City of Toronto sells its debentures direct to bond companies in Toronto, New York, Boston and London without the aid of any particular bank or syndicate of bankers.

A Tale of Two Cities

Taking these two cities as types, their methods and the results obtained make an interesting comparison. Last year the City of Montreal made three flotations, each of which amounted to about seven millions of dollars. The first flotation was made in March, the second in May, and the third in November. The first two flotations were made at par, and the third at ninety-eight-and-a-half. Figuring the average for the year, whenever the City of Montreal signed a note for a hundred dollars last year, it got $99.50 in cash. This is a tolerably satisfactory result. According to Canadian practice any city that can sell its securities so close to par is making the best kind of financial record, providing that the rate of interest is a nominal rate.

Now compare this with Toronto, and there is a different story to tell. During the year 1913 Toronto sold forty-four lots of bonds, as compared with the three sold by Montreal. These lots varied in size from $487 to $5,231,667. They were of a variegated series of flotations, and they brought variegated prices. The total was $16,079,204, as compared with Montreal's $21,300,000.

Toronto's Variegated Financing

The following table gives the Toronto sales by months:

1913.	Amount.	Gross Price.	Rate, Per Cent.
January	$5,280,334	$92.50	4
February	9,733	91.18	4
March	1,912,364	90.50	4
April	607,307	90.50	4
May	690,260	91.00	4
June	31,633	88.17	4
July	115,014	86.64	4
	1,006,000	97.28	4½
August	6,000	97.06	4½
September	4,501,667	83.57	4
October	578,187	87.00	4
	364,000	95.66	4½
November	254,039	84.67	4
	1,000	98.35	4½
December	121,666	85.00	4
	700,000	91.69	4½
Total	$14,002,204	$89.00	4
Total	2,077,000	95.00	4½
Grand Total	$16,079,204		

It will be seen that the City of Toronto sold two classes of debentures, those paying four per cent., and those paying four and a half per cent. Of the former it disposed of a little over fourteen million dollars' worth at an average price of somewhere about $89.00. Of the latter it sold a little over two millions at an average price of about $95.00. Thus for every hundred dollars of money borrowed Toronto received $89 in the case of the four per cent. bonds and $95 in the case of the four and a half per cent. bonds. These prices are much lower than those received by Montreal, which obtained $99.50 for every $100 of debentures sold. All the Montreal issues were four and a half per cents.

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In figuring the rate of interest paid by any large city it is necessary to consider not only the nominal but the actual rate. For example, a four per cent. 40-year bond sold at 90, or ten points less than par, means that the city selling