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CONTROL OF MUNICIPAL BONDS

The movement in Canada, especially in the western provinces, to organize a central authority for the supervision of municipal loans, is making headway. The suggestion in this country has gone only as far as provincial supervision. There appears a fairly unanimous feeling in favor of, say, a Saskatchewan local government board to pass upon municipal loans in Saskatchewan, an Alberta board for that province, and so on. Mr. John Coles, a well-known London financier and director of the Hudson's Bay Company, has suggested that the proposal should be carried a step farther by the creation of a central authority for the whole of Canada. One federal board, rather than several provincial authorities, would deal with municipal loans, just as does the local government board in Great Britain, the head of which is a member of the Cabinet. The London Economist discusses this suggestion and says: "The provincial authorities in Canada do not command better credit or more respect than better class municipalities. The fact, for example, that the finance of Toronto was controlled by the Ontario government, or that the finance of Winnipeg was controlled by Manitoba, or that of Vancouver by British Columbia, would not necessarily add very much to the security of these municipal loans in the eyes of a judicious investor. Some of the western provinces, such as Alberta, are not on a much better financial footing than the growing towns of the west."

While *The Monetary Times* thinks that this reference to Alberta's credit is quite unfair, there is considerable truth in the general assertion as to the respective popularity of Canadian provincial and municipal loans in London. Sir Frederick Taylor drew attention to this in *The Monetary Times Annual Review* early this year, when he said:—

"It seems curious—indeed, anomalous—to all Canadians that the provinces cannot borrow on better terms

than the principal cities of the Dominion, but the fact remains that Canadian Provincial Government and the more important municipal securities are classed by the London market alike as to intrinsic merit—otherwise price. The explanation lies in part in the fact that the term 'Province' in Great Britain is a vague term; i.e., when reference is made to 'The Provinces' in England it means the district or territory outside of London other than Wales. The fact seems to be ignored, or at least unappreciated, that prior to 1867 the various provinces of Canada were self-governing entities, and that their position was strengthened, not weakened, by Confederation."

It is, perhaps, but a matter of time and education before the securities of the provinces of Canada will be on a much better plane in the British market. With the backing of the provincial government, there can be no doubt of the security of the issues. The Canadian provinces have not yet attained the position they deserve in the British markets, and, simple as it may sound, the use of the word province seems to have been one of the chief stumbling-blocks.

The entire discussion respecting some sort of central supervision of municipal loans arises from the desire of Canadian municipalities to borrow cheaply in the London market. There has always to be considered prevailing market conditions, but aside from that factor, the higher the credit of the borrower, the better chances will that borrower have. If a central board has approved the issue of a certain municipal loan, the credit of the municipality would be much enhanced in the eyes of the British investor. He knows what a stern master is the British local government board, and he would expect the Canadian federal board to copy their example.

Naturally, there will be many voices against this proposal. The municipalities generally may be expected to favor supervision as a general principle, but they will probably want that supervision confined to their province. The provinces will probably agree to undertake the task, but they will not desire any interference from the Do-