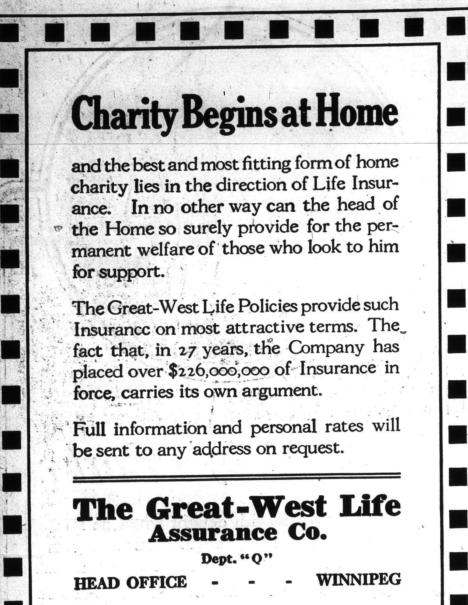
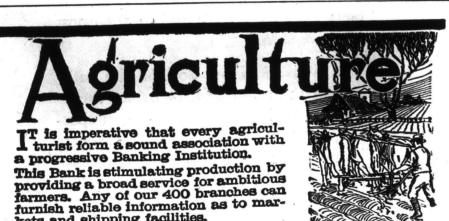
THE WESTERN HOME MONTHLY

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FINANCE



18



Dollars and Cents

Financial News and Views. Intricate Financial Matters discussed in language that anyone can understand.

BANKING

INSURANCE

MUNICIPAL BONDS

These are worrying times for those municipalities in the West which are in need of money. During the war period expenditures on public works and undertakings were cut down to a minimum figure, and as a result many municipalities are far behind in their programme for local improvements. When the war ended municipal officials began to take stock and mapped out the work which needed immediate attention-and there was a great deal of it. But it is one thing to plan how to spend money and quite another thing to get the necessary funds with which to carry out those During the past few months plans. many municipalities have tried to sell bond issues. In a number of instances, despite the fact that these bond issues were widely advertised, no offers were received from bond dealers. There was no market for these bonds, and as a result bonds which were sold went at a low price to the municipalities. Only a few days ago the provincial government of Ontario sold a \$3,000,000 issue The easiest thing to do in this world of 6 per cent bonds for \$2,949,510. This is to cricitise. means that although Ontario has to mainly because it is easy to do and inpay 6 per cent interest on the full cidentally because it is considered to be \$3,000,000, and also has to pay the full one of the privileges which belong to \$3,000,000 when the bonds mature, it a free country. We criticize our govonly received \$2,949,510 for the bonds- ernments, our members of parliament, a straight loss of \$50,490 on the face our public servants and our institutions. value of the bonds.

6 per cent bond issue at a price fixed campaign. Perhaps this is why we on a basis of \$94 for each \$100 bond, sometimes feel a little indignant about which means that instead of paying 6 the Canadian banking system. Those per cent the city will really pay 6¾ per of us who have stepped jauntily into the cent interest on the money received. A bank manager's office and suggested that large western city recently sold \$100,000 we had some business for him, and furof its bonds bearing interest at 61/2 per ther that the said business was in the cent to an eastern bond firm for \$92,- nature of allowing the bank to loan us 610-at which price the actual interest some money can well remember how rate payable by the city will be 7.21 per indignant we felt when the bank mancent. These facts indicate the state of ager refused to talk business to us and the bond market and municipal officials allowed us to depart with an empty know now, if they did not know before, heart and several pockets in much the how true it is to state that the best way same state. to find out the value of money is to try to borrow some.

In a recent report to the Saska- its kind in the world. The financial toon City Council, Commissioner Yorath strength and solidity of our chartered dealt with the financial situation in banks is proof of the worth of the sysso far as it affects municipal bor- tem. The system is all right, but the rowings as follows: "It was ascertained administration is at fault sometimes. by your commissioner when in the East, This is not surprising, because the adfrom a very reliable source, that the ministration depends upon the decisions . municipalities in the of human beings-and human beings are province of Saskatchewan in the pay- not perfect, they sometimes make misment of interest has adversely affected takes. The man who never made a all Saskatchewan municipal securities, mistake never made anything worth and that some of the big financial and while. Not so very long ago an ex-governor investment corporations have struck these securities from their list. It of the State of Kansas, who is now a will be realized that this situation will farmer in Alberta, stated that the rapid adversely affect the price of all muni- development of Western Canada necessicipal debentures throughout the pro- tated a radical change in the Canadian The matter is of such impor- banking system. He is stated to have vince. tance that some combined action should suggested that the system of small banks be taken by the municipalities in an en- in use in the United States might be deavor to persuade the provincial govern- adopted in Canada with very good rement to take steps to remove the un- sults. It is therefore instructive to read certainty which has arisen in financial what a Kansas City paper recently said circles regarding Saskatchewan munici- with reference to the banks in its local-pal securities, arising from the default ity. The comment was as follows: "The taxpayers, voters and bank deof a few municipalities." Although some western municipalities positors of Kansas deserve to have anhave failed to pay the interest on their swered their query, "What's the matter debentures when it fell due, these de- with the state banking department?" "They have seen four bankers make faults are not entirely to blame for the high interest rates demanded by pur- away with more than half a million dolchasers of municipal bonds. High inter- lars of their depositors' money within est rates prevail all over the world. The the last year. The people of Kansas British Government has been selling se- are entitled to an explanation concerncurities to the British people bearing in- ing the kind of supervision that is exerterest at 61/2 per cent, so our western cised over state banks. municipal bonds compare favorably with # "Not only have the bankers departed those of Great Britain when it is re- with large sums of their patrons' money, membered that this is a new country but in one instance, that of the Hanover State Bank, the state banking departand just in its infancy. However, Commissioner Yorath touched ment for four days after the disappearupon a matter which is of great im- ance of August Jaedicke, jr., the cashier, portance to every taxpayer in Western assured the people that Jaedicke had Canada. Here and there a municipal- closed his bank merely because of worry ity has been unable to pay its debts over a stringent money market. Several

as they fell due. There were many reasons for these defaults. Our western settlements were in many instances just crazy to grow. They wanted to be big cities before they were even decent sized villages. They constructed cement sidewalks, lighting systems, sewer and water systems sufficient to satisfy cities many times greater than they were . One western city provided these facilities for practically every part of the 8,000 acres included in the city limits, and that city to-day has a population of approximately 6,000. No wonder these municipalities were financially embarrassed-they built too far ahead.

It has been a very stern lesson for the West, and if western municipalities profit by their experiences and the experiences of others all will be well. Public monies must be expended just as carefully and with just as much consideration as the monies of an individual. Reckless expenditure of public money should be a thing of the past.

"What's the matter with Kansas?" Everybody's doing it, As a rule, some little thing which affects The city of Moncton, N.B., sold a small us personally sets us off on a criticizing

The Canadian banking system is recognized as one of the finest systems of



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