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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 plans. During the past few months 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 of 6 per cent bonds for \$2,949,510. This means that although Ontario has to pay 6 per cent interest on the full \$3,000,000, and also has to pay the full \$3,000,000 when the bonds mature, it only received \$2,949,510 for the bonds—a straight loss of \$50,490 on the face value of the bonds.

The city of Moncton, N.B., sold a small 6 per cent bond issue at a price fixed on a basis of \$94 for each \$100 bond, which means that instead of paying 6 per cent the city will really pay 6¼ per cent interest on the money received. A large western city recently sold \$100,000 of its bonds bearing interest at 6½ per cent to an eastern bond firm for \$92,610—at which price the actual interest rate payable by the city will be 7.21 per cent. These facts indicate the state of the bond market and municipal officials know now, if they did not know before, how true it is to state that the best way to find out the value of money is to try to borrow some.

In a recent report to the Saskatoon City Council, Commissioner Yorath dealt with the financial situation in so far as it affects municipal borrowings as follows: "It was ascertained by your commissioner when in the East, from a very reliable source, that the default of . . . municipalities in the province of Saskatchewan in the payment of interest has adversely affected all Saskatchewan municipal securities, and that some of the big financial and investment corporations have struck these securities from their list. It will be realized that this situation will adversely affect the price of all municipal debentures throughout the province. The matter is of such importance that some combined action should be taken by the municipalities in an endeavor to persuade the provincial government to take steps to remove the uncertainty which has arisen in financial circles regarding Saskatchewan municipal securities, arising from the default of a few municipalities."

Although some western municipalities have failed to pay the interest on their debentures when it fell due, these defaults are not entirely to blame for the high interest rates demanded by purchasers of municipal bonds. High interest rates prevail all over the world. The British Government has been selling securities to the British people bearing interest at 6½ per cent, so our western municipal bonds compare favorably with those of Great Britain when it is remembered that this is a new country and just in its infancy.

However, Commissioner Yorath touched upon a matter which is of great importance to every taxpayer in Western Canada. Here and there a municipality has been unable to pay its debts

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?" The easiest thing to do in this world is to criticize. Everybody's doing it, mainly because it is easy to do and incidentally because it is considered to be one of the privileges which belong to a free country. We criticize our governments, our members of parliament, our public servants and our institutions. As a rule, some little thing which affects us personally sets us off on a criticizing campaign. Perhaps this is why we sometimes feel a little indignant about the Canadian banking system. Those of us who have stepped jauntily into the bank manager's office and suggested that we had some business for him, and further that the said business was in the nature of allowing the bank to loan us some money can well remember how indignant we felt when the bank manager refused to talk business to us and allowed us to depart with an empty heart and several pockets in much the same state.

The Canadian banking system is recognized as one of the finest systems of its kind in the world. The financial strength and solidity of our chartered banks is proof of the worth of the system. The system is all right, but the administration is at fault sometimes. This is not surprising, because the administration depends upon the decisions of human beings—and human beings are not perfect, they sometimes make mistakes. The man who never made a mistake never made anything worth while.

Not so very long ago an ex-governor of the State of Kansas, who is now a farmer in Alberta, stated that the rapid development of Western Canada necessitated a radical change in the Canadian banking system. He is stated to have suggested that the system of small banks in use in the United States might be adopted in Canada with very good results. It is therefore instructive to read what a Kansas City paper recently said with reference to the banks in its locality. The comment was as follows:

"The taxpayers, voters and bank depositors of Kansas deserve to have answered their query, 'What's the matter with the state banking department?'"

"They have seen four bankers make away with more than half a million dollars of their depositors' money within the last year. The people of Kansas are entitled to an explanation concerning the kind of supervision that is exercised over state banks."

"Not only have the bankers departed with large sums of their patrons' money, but in one instance, that of the Hanover State Bank, the state banking department for four days after the disappearance of August Jaedicke, jr., the cashier, assured the people that Jaedicke had closed his bank merely because of worry over a stringent money market. Several