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MUNICIPAL BONDS.

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It may be asked why with Commission Government we only get 90 cents return on the money spent? The answer is that every ratepayer has a voice and rivalry for office which makes education of the rate-payer difficult but absolutely necessary. Education in Municipal affairs is a slow process and the time is not ripe for the day when the rate-payers like a private Corporation will seek good men and when they find them, keep them in spite of all varying conditions, material, religious and political.

However it is our firm belief with all the contingencies mentioned, that progress will be made towards the private Corporation standard without entirely eliminating the most desirable element of sentiment for while this Virtue may have to be minimized in Civic Government to a certain extent, it also, on the other hand, becomes an element in the management of Private Corporations in order that the operator and the operative may get closer together which is a growing necessity in the economic and dynamic forces of our civilization.

To give security to bonds great stress must be laid on good management. Whatever the form of Government we must have the best management the form will afford and the bond purchasers will have to gauge the Government with which he deals when weighing his security.

The prospect of safely investing Sinking Fund money should be as good as the face of the bond because of the fact that as a general thing money will earn more money through business channels than the large lenders demand for it. It has been a well known fact 4 per cent or 5 per cent money in England can easily earn 8 per cent in new Countries and especially in Western Canada, not because the risk is necessarily larger but because the people with large sums to invest are willing to take less on good investments and be relieved of the details about and care of many smaller investments.

In the development of the theory of finance which is a very difficult subject there are several phases, in the present state of our mathematical knowledge, that will not permit of an exact solution but that we will assume as not pertinent to our present discussions. One outstanding feature is that both the Sinking Fund Bond and the Equal Annual Instalment Bond have the same underlying principle. There are two ways of viewing the transaction "The rent of an Annuity consists of two portions; first interest on purchase money; and second, a repayment of capital with accumulations by Compound interest is the redemption money which will equal the principal at the end of the life of the Bond." This is the redemption or sinking fund bond.

"We may look at it in another way by imagining each portion of capital in the successive payments of the Annuity to be at once applied towards liquidating the debt which will thus gradually diminish until it finally vanishes." This is the Equal Annual Instalment Bond.

For the mathematical demonstration of the two forms of Bonds we refer those who are not well up in mathematics to "Bond Value Calculations Simplified" a copy of which can be had from the Lethbridge City Clerk free of charge on application, along with the latter part of this paper. To those whose knowledge of mathematics embraces as far as "The Binominal Theorem" we recommend "The theory of Finance" and "The repayment of Local and other Loans."

The question which of the two forms of Bonds — The Equal Annual Instalment Bond and its serial form or the Redemption or Sinking Fund Bond, is the most desirable one to issue is relevant.

The poor mismanagement of the Sinking Funds of two very large debts — the British Government in the time of Walpole, and The Boston and Vicinity Debt — of recent times, have caused a great deal of suspicion to be thrown upon a convenient and scientific system of repayment of borrowed money. The advocates of the Serial form of the Equal Annual Instalment plan for the Sinking Fund plan, claiming, and rightly too we think, that the only danger the purchaser is confronted with is defalcation, while they claim the Sinking Fund is subject to poor investments, defalcation, poor management, pilfering, etc., all of which have been more or less true in the past, but the point is, why should not the same good honest management be possible to the elimination of these evils, is the question that always presents itself to honest minds. Should a Bond be saddled with something that is not inherent in itself? The cynic smiles and perhaps says "humanity is weak"