The Commercial

A Journal of Commerce, Industry and Finance, specially devoted to the interests of Western Canada, including that portion of Ontario west of Lake Superior, the provinces of Manitoba and British Columbia and the Territories.

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The Commercial certainly enjoys a very much larger circulation among the business community of the country between Lake Superior and the Pacific Coast, than any other paper in Canada, daily or weekly. By a thorough system of personal solicitation, carried out annually, this journal has been placed upon the desks of the great majority of business men in the vast district designated above, and including northwest Ontario, the provinces of Manitoba and British Columbia, and the territories of Assiniboia Alberta and Saskatchewan. The Commercial also reaches the leading wholesale, commission, manufacturing and financial houses of Eastern Canada.

WINNIPEG, JUNE 5, 1893.

Trusts and their Limits.

Public interest in trusts has been greatly renewed by recent events in Wall street. There have been violent fluctuations in the securities of every big trust except the Standard Oil, which is the oldest and most solid of them all, and sells at the highest price a share. The fluctuations in the Wall street values of the trust securities recall all the discussion over the methods and expediency of the trusts when they first started, and the limitations of the laws of trade impose as well on trusts as on any other business corporporation.

A writer in the *Sun* says the great difference in principle between the Standard Oil Trust and most of the trusts which have been organized and floated within the last few years is that the Standard Oil Trust tries to cheapen, no matter how little, the selling price of its product, and relies for its profits on economy of management, facilities in handling and control over the sources and production of the raw material. This is increased by the limited area in which petroleum is found, and by the great advantage in refining it which the big corporation, with a large plant, its own steamers, pipe lines and distributing agencies, has. The Standard Oil Trust learned by experience that this was the best policy, in that it prevented competition through the operation of the laws of trade, and secured to itself a monopoly of the consumers

There are natural advantages in trusts, and also disadvantages. If the disadvantages can be eliminated by careful management and adherence to good business principals, the advantages will prevent competition, and make unnecessary the buying out of competitors. Up to the limit of the executive ability of the management of a trust the cost of production can be diminished. This should be the real source of profit to a trust, not the monopoly of business secured by the buying out of competitors nor the raising of prices to the public.

The laws of trade, which are as inexorable as the law of gravity, prevent the permanent raising of prices by a trust beyond the competitive point. If a trust were formed to-day in any of the big industries of the United States, and that trust should embrace every factory at present engaged in that industry, it would still be impossible to advance prices materially, because every advance would encourage free capital to invest, and other factories making the same product would come into existence.

Even were the facilities of the trust so much better and its executive management so much abler than could be secured by the outside people, still the only result would be that outside capital would have to wait for prices to the public to be raised before it would be profitable to go in. If the trust were making 15 per cent., and at prices obtained by the trust outsiders could make 10 per cent., there would be plenty of outside capital going into the business, with the result that the trust would have either to buy their competitors out and so encourage the development of new competitors or lower its prices, not only below the prices at which outsiders could manufacture at a profit, but so low that the outside factories would have to close.

The fact that prices had been unduly raised for once or any length of time would mean the creation of outside competitors whose total production would amount to more than the consumers could absorb at a profitable price, and so there would be a constant pressure to a selling price lower than the profit which could have been secured had prices never been unduly raised.

It is not by overcapitalization that a trust will bring about its downfall, but by poor business management and disregard of the laws of trade. It is well known that almost every trust is capitalized at a sum considerably larger than the cash values of the properties, good wills and franchises which were consolidated to make up the trust. All over this real value, whatever it may be from time to time, is water. If the trust earns dividends on all its capitalization it simply means that the trust has been so well organized and is so well managed that it can pay an unusual profit on the investment.

Wall street and the public discount water. They not only discount it, but they often discount it too much. During a recent break in the values of industrial securities the whole capital at the Wall street prices was of less Wall street value than the original properties which went to make up the prices. A stock paying 6 per cent. dividends steadily year in and year out, with books open to the stock holders and to the public, well and conservatively conducted, will sell for more than twice as much a share as a 3 per cent. speculative stock. By making securities speculative the market for them is limited, and the large class of conservative investors is excluded. It is this class which buys the gilt edge steady paying securities, which rarely break in the market, and are not often handled on margins. They are bought and paid for. It is hard to cause any break or panic in them.

Except where a trust can control the source of production and thus prevent competition, or where it owns patents or exclusive franchises, there is nothing which the public has to fear. A trust cannot raise the prices beyond a rate of reasonable profit without encountering two great dangers. One is that of competition, if the article is such that the public have to buy it. The other danger is that by raising the price it will restrict its market and drive the public to smaller purchases or to the use of substitutes. It is a well known fact in commerce and trade that the market for any product depends greatly on its price. A reduction in price of a third may double the sales, while an increase in price of a quarter may diminish the demand by half. This is what every man in charge of a business must decide for himself, and his profit and loss depends on that decision. The trade rule is that the lower the price the greater the demand, and that a constant cheapening of prices means a constantly increasing demand for the product.

Here is where a well organized trust has its advantage over a small corporation or an individual. It has greater capital, better credit, more concentrated and cheaper management, and an opportunity to economize in the buying raw materials in bulk or for cash, in the saving of distributing, and in the constant savings of salaries and incidentals. There is one main office and only one set of executive officers for a whole trust, instead of a separate office and a separate set of officials for every corporation which was absorbed to make up the trust. The market can be better watched and handled, raw materials can be secured at the season at which they are most cheap, credits can be arranged with the banks, the army of drummers, sales agents, branch officeces, and distributers can be materially reduced; better terms can be made with the workmen. There will be fewer superintendents and fewer salaries.

There is no reason why the trusts should not live and prosper and be good investments; only for their own even more than for the public interest, they must not regard themselves as exceptions to business rules, and they must not attempt to ride over the laws of trade.—*Journal of Commerce.*

Cheap Paints.

Some paint dealers throughout the country, says the *Hardware* journal, in order to keep in touch with the Patrons and still make a living profit by selling them at their own price, have resorted, among other questionable means, to the practice of inducing a manufacturer of prepared paints here and there to make a cheaper brand which they could palm off on this class of customers as the standard article. The result of this is of course injurious to the legitimate trade. So much so in fact that some of the manufacturers have discontinued supplying dealers through the jobbers or middle men and now deal direct with the retailer, being thus in better position to control their trade and keep it out of the hands of the Patron stores.

Profits in Oats.

The Montreal *Trade Bulletin* of May 26 says. "Holders of oats have made some handsome profits of late, sales having been made of large quantities at 39 to 39½c per 34 lbs. afloat, and some have brought as high 40c. During the past week, however, prices have eased off a little, sales being reported at 38½ to 39c per 34 lbs.; but even these figures show a gain of 6 to 7c per bushel on the cost price. The advance in prices is due to the great scarcity of feed stuffs in Great Britain and on the Continent, in consequence of the severe drought there this spring; in fact, it has been the driest spring on record in the latter country, the drought lasting from March 1st to the first week in May. Since then, however, copious rains have fallen all over England, although they came too late, it is thought to save the hay crop, and hence the continued demand for oats and hay from this side. So far, Canadian oats appear to have given good satisfaction in England judging from letters received by shippers here within the past week. Regarding the prospects for shipping Canadian oats to England, a great deal will depend upon the extent of the damage done by the drought. In London, there has been considerable excitement in the market for oats, and all arrives up to May 13th met with immediate sale at advancing prices, No 2 white and mixed Canadian selling at 17s 9d to 18s per quarter, bringing 3d per quarter over the price of No. 2 Russian and American. According to this, American and Russian oats must have a greater percentage of barley or other foreign substance than No. 2 Canadian. It is therefore gratifying to find that Canadian oats take the lead of foreigners, even if they have percentage of barley mixed with them, as London receivers are not fools enough to pay 3d more for Canadian than Russian and American, unless they are worth that much more."