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Special Articles

Banking Development in Canada and the
United States,

By H. M. P. Eckardt.

Class Consciousness.

By J. W. Macmillan.

Agricultural Credit in Europe and America,

By Ernest H. Godfrey, F.S.S.

Conditions in the West,

By E. Cora Hind.

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The Railway Problem

THE question of the Government's policy respecting the great railways of the country seems to be still in a very open state, and there need be no surprise if, owing to a difference of opinion in the Ministerial ranks, some temporary arrangement has to be made and the main issues deferred until a more convenient season. The idea has gone abroad that the Government will acquire the whole Grand Trunk system. As the Grand Trunk stockholders are practically all in Great Britain, this report has naturally created much interest in British railway and financial circles. The London Financier and Bullionist thus comments:—

"Much interest has naturally been aroused by the apparently inspired report to hand from Ottawa that the Canadian Government, as part of its railway policy, intends to acquire the Grand Trunk system on the basis of a guarantee of a substantial dividend to the shareholders. At first sight the news seems to be almost too good to be true, and, pending the receipt of further and, it is to be hoped, authentic, information on the subject, the shareholders would do well not to give way to unchecked enthusiasm. Visions of a substantial dividend are certainly most alluring after the trying experiences of the past few years, but the Canadian Government's idea of a substantial dividend may conceivably differ from that of the shareholders. The company has three issues of Preference stock, on the first two of which the full 5 per cent has frequently been paid, while the holders of the Third Preference stock have never received more than 2½ per cent., and that only on two occasions, within the past twenty years. Moreover, no return has ever been made on the company's Ordinary stock, of which there is nearly £24,000,000 outstanding. If the Government agreed to a guarantee which would provide for the payment of the full dividends on all the Preference issues, and at the same time or a moderate return on the Ordinary stock, we dare say the shareholders would regard the arrangement as completely satisfactory. It is, perhaps, too much to hope that the Canadian Government will go so far as that. Its more probable course, we fancy, will be to offer to buy up the Ordinary stock at a fair valuation and to guarantee dividends on the Preference stocks based on the average distributions made over a period of years."

There will be no disposition on the part of the Canadian public to deal ungenerously with

the Grand Trunk in any policy that may be adopted. There is, we are sure, in this country an appreciation of the service rendered by the Grand Trunk Company, by its large investments and its courageous grappling with the difficulties that have arisen from time to time. On the other hand, the Grand Trunk people must remember their obligations as well as their claims. It does not help them to have their friends file pleas of infancy on their behalf. The Montreal Gazette does this in a long article. Referring to the Grand Trunk Pacific enterprise, undertaken by the Grand Trunk Company, the Gazette says:—

"If now embarrassment has come, if inevitable failure has overtaken the rash project, the Government in dealing with the Laurier legacy cannot ignore the fact that the Grand Trunk Pacific as a transcontinental line was a political, not a commercial, proposition, that the contract it is now unable to fulfil was forced upon the company, and accepted with reluctance, and that the difficulties of the day are the product of ill-advised governmental interference."

This would not be flattering to the Grand Trunk management if it were true. One would suppose from our contemporary's account that in the making of the arrangements for the Pacific road the Grand Trunk managers were children who were manipulated by wonderfully clever Ministers at Ottawa, who compelled them to do things that they did not approve of. For this there is, of course, no foundation. The Grand Trunk affairs at that time were under the direction of one of the ablest and most experienced railway men in the world, who had the co-operation and assistance of some of the most capable lawyers and financiers of England and Canada. If it be said that the project was a "political" one, so it might be said was the Canadian Pacific Railway, if by "political" we mean that it had relation to national as well as to commercial development. The Grand Trunk management went to the Government asking aid for an extension Westward from North Bay of a railway system which has its Eastern terminus in Portland, Maine. The Government said: "Such a project will not commend itself to the Canadian people, if we are to have a second transcontinental railway it should be a national road, from ocean to ocean, on Canadian soil; if you are willing to provide such a road we will help you to do it." After long and full consideration of the subject the Grand Trunk people went back to the Government and offered to undertake the larger scheme, and in due course the contract was made.

If our contemporary, which now sees in that contract only a burden imposed on the Grand