

which these vast consolidations have been carried renders it quite impossible for the plants and other assets to have been efficiently examined and valued by competent experts. Knowing something of what work is involved in valuing a manufacturer's plant and business, and the fewness of independent and competent valuers, we are satisfied that several years would be none too long for accomplishing, prudently, what has been done in a few weeks, or months at the outside. Apart from all other considerations, we must regard the swiftness with which hundreds of million dollars worth of plant and other assets have been acquired as constituting an element of grave danger to a large number of the new consolidations, mis-called "trusts." Bargain in haste and repent at leisure will serve as a good financial proverb. In one week last month there were 9 such combinations formed with an aggregate capital of \$231,000,000. In March there were 250 new companies formed by consolidation, with a total capital of \$1,111,750,000, incorporated under the laws of New Jersey alone.

It is on record that, an enormous amount of this capital was "new," that is, was called for over and above the actual total of the several capitals of the enterprises so combined. All of those new companies which were made up out of a number of private firms commence their career with a load of capital, or what will be ranked as capital in their books, which will have not the least capacity to earn profits. Every dollar in the stock book which represents payments for plant and assets in excess of their earning power, and every dollar paid over or accounted for by allowances of stock to individual firms in order to reward them for sacrificing their independence, will be a dead weight on these consolidated companies. Some of them can hardly fail to become "water-logged" by the large amount of water in their stocks. So far as the proprietors are concerned, who have merged their interests in a consolidated company, they may be safely left to look out for their own interests. But, in regard to the public who invest in the new issues of stock made by these colossal organizations, there is too much reason to fear that they are more sanguine than wise. Few indeed understand the position they will occupy as stockholders. The capital of the consolidated companies is divided into sections. One part is devoted to the amount actually represented by the aggregate capital of the several firms or companies which have become amalgamated. This is *bona fide* capital, it is the actual working, profit-earning capital, and this section is issued as preferred stock. It is well-understood that the amount of this stock is calculated on a very liberal basis, being fixed upon the estimate put by each firm upon the value of its interests in the business transferred. Another section is issued to cover the charges of the promoters and organizers of the consolidated company. As this class of stock will stand an indifferent chance of receiving dividends, its value depends upon its being saleable in the market,

and it will be soon disposed of. Some of it has already been sold to incautious investors. A third section is being issued, or prepared for issue, for distribution as a bonus to those who have entered the amalgamation. It represents a payment to them for the purpose above referred to, that is, to compensate them for closing up their private business and so sacrificing the opportunities of future development, and for running the risk of getting less returns from their preferred stock than they would probably have done from their private capital when operating an independent enterprise. This class of stock will be unloaded on the public as fast as possible, as its dividend earning value is highly uncertain. It is manifest from these considerations that a very much larger sum of net profits on the capital of each of the consolidations will have to be realized in order to pay dividends thereon on each section of stock than were necessary to make the several enterprises remunerative which have been amalgamated. Some contributions towards this are expected from economies in production and management, but still more from the raising of prices above the competitive standard. In the latter respect, these consolidations will act precisely like an ordinary "combine."

What the effect will be on the banking business in the States is too large a question to enter upon at present, but it is certain that the bankers of these institutions are confronted with a problem of grave difficulty, which we trust they will solve without injury. The effect of drawing such vast sums of money from the investing public—who are only too apt to be misled by dazzling promises of large returns—into manufacturing and mercantile enterprises in regard to which they are not well-informed, is also a most serious question, as the over-capitalization of joint stock companies is a dangerous financial condition.

LAW, UNION AND CROWN INSURANCE COMPANY.

Mr. J. E. E. Dickson, Manager for Canada of the Law, Union and Crown, has returned from the Maritime Provinces, where he has been appointing representatives of his company. Messrs. Mitchell & Thompson, of Halifax, have been appointed agents for Nova Scotia, and Mr. Peter Clinch, of St. John, will have charge of New Brunswick.

Mr. Dickson has selected as agents for the North West the well-known firm of Messrs. Osler, Hammond & Nanton, Winnipeg.

BRANCHES IN EVERY STATE.—At a recent meeting of the stockholders of the King's County Fire Insurance Company it was decided to increase the capital stock of the company from \$150,000 to \$200,000. It is said that this means that the company will develop its business considerably, and that it will soon have branches in every State in the Union. The company has a surplus of \$150,000, which is to be reduced just as much as the capital stock is to be increased. The King's County is an annex of the Atlas of London.—New Orleans "Daily States."