

factors. But a consideration of the others practically proves that they have acted as a minor agent. On the other hand, their possibilities for harm are by no means non-existent. From a financial standpoint they allow a loophole for the creation of what is commonly known as watered stock. Taking the mergers consummated in Canada last year we find that fifty-two companies were amalgamated in such a way as to represent at the end of the year ten combines, with an aggregate capital of \$195,500,000. An analysis of the individual capitalization of these concerns shows that public investment in their securities has been largely increased.

Seldom has it occurred that, say, five companies with an individual capital of \$1,000,000, as an example, have amalgamated, the combine being capitalized at \$5,000,000. The tendency has almost invariably been to increase the capital, say, for example, from the five to eight or ten millions of dollars. The excuse of the promoters is that internal economies and the limitation of competition will increase earning power, and consequently help largely to pay the greater interest sums needed. Additions to plant may reasonably represent part of the new capital required. Equally as certain is it that new capital sometimes represents the swallowing of losses in the shape of decadent and sometimes decayed concerns included in the combine.

Professor Jenks' category of disadvantages of large combines is worthy of perusal. Enormous as these benefits to society may be from this better organization of capital under the new régime, no less pronounced are the evils, he says.

(1) Investors of capital are often grievously wronged through concealment of facts and deception practised by promoters and directors at the time an industry is organized, and, later, through misrepresentation of the condition of business and methods in which a business is carried on.

(2) A second class of persons injured is that of the stockholders. Directors not infrequently manage the business in their own interests, regardless of those of the stockholders. At times it is really made less profitable or is so managed as apparently to be less profitable, in order to depress the stock on the market and to enable the directors through gambling speculations to reap large profits.

(3) Persons, not members of a corporation, may be injured as consumers by high prices, which can be kept high, provided the combination can secure monopolistic power. The temptation to keep prices above former competitive rates is, of course, greatly increased when the corporation has issued large amounts of watered stock.

(4) The producer of raw material may be injured by low prices, which the combination, by virtue of its being the largest, if not almost the sole buyer, can compel the producer to accept.

(5) The combination may so increase its power as to injure the wage-earners by compelling them to accept lower wages or to work under less favorable conditions than would be granted by competing concerns. So, too, the power exercised, apparently arbitrarily at times, of closing part of the plants to avert a strike, or even to affect the stock market, is dangerous.

(6) It may happen at times that the larger organizations will exert so powerful an influence on our political organizations that the purpose of the State will be directed away from the common weal.

(7) The mental tone of the business community may be lowered by depriving individuals of the privilege and of the power to enter independently into business as readily as could be done were capital less concentrated.

(8) And, again, the moral tone of business may be lowered. If the larger organizations employ unscrupulous methods in dealing with competitors, or customers, or laborers, their greater power, especially if it is great enough to give them a partial or complete monopoly for a time, will have a much more detrimental influence than

the same acts of an individual, both on account of the range of its application and of the more powerful influence of its example. . . . The power of the manager of the large corporation is greater, and the injuries, both economic and moral, to the public from his selfish acts may be much more severe.

Mr. King, who is sponsor for the bill now before parliament, which creates legislative machinery for the investigation of trusts which may enhance prices or restrict competition, thinks that sufficient has been shown to make clear that enormous power has become concentrated in the hands of a few men, that the faculty for forming combinations increases as the scope is narrowed, and that that power becomes more easily wielded as the numbers controlling it become fewer. "At the same time this consolidation of power in the hands of a few has lessened their personal responsibility for the proper use of that power; sense of personal obligation to the community becomes submerged in vast corporate entities. The possible resulting abuses call for some restraint that shall take the place of the old personal obligation. Government supervision and publicity must be that substitute."

The government undoubtedly realizes the importance of their measure as it concerns capital. The most popular legislation is not always that which encourages the inflow of foreign capital. As will be seen from an article elsewhere in this issue, Canada obtained from Great Britain alone in the last five years new capital amounting to six hundred millions of dollars. It came from a country which is the home of conservative finance. It should be shown that the Dominion Government intends to protect the legitimate combine of capital even as they would safeguard the legitimate interests of the public. The least sign of socialistic legislation will put a check upon the export of British and foreign capital to the Dominion.

No need exists for industry, capital and labor to quarrel over the natural tendency towards industrial amalgamation and the concentration of capital. Labor makes; capital rewards labor. While there may be criticism of the proposed combine measure, it deserves at least serious analysis and thought. That there should be statutes on our books enabling an investigation to be made where desirable, will probably be admitted. The proper curbing of the industrial trust should ultimately help the trust as much as at present the public lack of knowledge thereof harms it. Company amalgamations should not be opposed simply because they are so. The anti-trust sentiment to some extent emanated from the idle frothing of politicians and others who sought the passing plaudits. Industrial combines will probably find it advantageous to be under a government's watchful eye. It will mean that legitimate work will not be subjected to ceaseless criticism as it has been, while deals which must necessarily hurt the country's welfare and credit will be cracked with publicity and possibly broken.

PROPHECY EXTRAORDINARY.

Sir John Phillips is in Canada in connection, it is said, with large Canadian industrial developments. What is more interesting just now is Sir John's extraordinary prediction regarding a coming money panic in Great Britain before the end of the year. He even prophesies the possibility of the Bank of England being put out of business by the joint stock banks. The Lords of the Treasury, he says, have been borrowing money from the Bank of England at the rate of four million pounds sterling per week. This had been going on for some time in the belief that the Government would pass the Budget. Now the council of the Bank of England had decided that in the present situation the Lords of the Treasury had no authority to borrow the money.