

proposal to "carry" the Noble Five shareholders Mr. Dunsmuir assumed a certain self-imposed responsibility, and it is not creditable to him that he should have failed to recognise that responsibility. His action in the matter has added to the losses of those who previously invested in the property, for former shareholders having been led to suppose that so great an improvement has lately been made in the mine have, in many cases, bought again heavily in the hope of averaging. The worst feature, however, is the possible effect of the Noble Five fiasco on Eastern investors, for as may be supposed, Mr. Dunsmuir's action is not likely to assist in restoring confidence among this class in the desirability of mining investment in British Columbia.

The most extraordinary and erratic fluctuations are taking place at the present time in the local mining stock market. There is obviously no support being given to the market by legitimate investors. It appears to be left entirely at the mercy of more or less professional operators. As soon as a stock shows any buoyant tendency, a rush of selling orders

LACK OF OFFICIAL INFORMATION AND THE STOCK MARKET. swamps the market — a striking evidence of the entire lack of confidence existing. For the usual course of the investor is here reversed. When conditions are healthy the investor buys on a rising market, and the higher the

stock goes the less does he feel inclined to lose his interest in it. Suppose an investor purchases a thousand shares in a mine what he considers a low and attractive price, say 30. The stock moves upwards to 35 or 40, and he considers it no worse an investment at 40 than it was at 30, which is very likely the case. Therefore, he does not sell. But at present so many people do sell, that quite independently of the value of the shares or the improved appearance of the mine, the stock rapidly falls to the price at which he bought, or even lower. The consequence is that when the stock again reacts favourably he also is found among the sellers. Through this process, which depends directly upon the discredit which has been attached to many of the mines represented by shares dealt in upon the open market, there occurs a continual depression in the general level of prices unwarranted, in some cases, by the position or outlook of the mines as mines. Such a condition of affairs is injurious to the mining industry as a whole. It is quite true that mining is extending and improving in the Province, and it may not be an unhealthy sign that the industry is becoming divorced from joint-stock enterprise of the peculiar kind of which we have had so many examples in the recent past. But after all joint-stock enterprise, not merely in mining but in all forms of industry, is the most powerful known machinery for the application of capital where capital is needed.

The development of joint-stock enterprise has had incidentally connected with it, not in British Columbia

alone, nor more here than anywhere else, a large number of very gross abuses. In Great Britain one law after another has been passed for the purposes of restricting the abuses connected with company promoting. These stringent measures have not been highly successful. They have certainly made it harder to promote companies at all, but it is very questionable whether they have made it harder for unscrupulous men to fleece the public once the initial difficulties of promotion were overcome. Legislation of that character seems merely to restrict joint-stock enterprise without purifying it. It has certainly developed a large class of company lawyers whose main business appears to be to teach promoters how to defeat the purpose of the law without contravening the sections of the Companies' Act. In spite, however, of the abuses connected with the development of joint-stock enterprise the fact remains the same, that without it the wonderful industrial development which has characterised the latter half of the 19th century could never have taken place, and that without it the procuring of the capital to develop a new country like British Columbia would be infinitely slower than is necessary. Joint-stock enterprise decentralises the risk of loss and spreads it over a number of individuals according to the means of each. It is, therefore, peculiarly adaptable to the development of mines where the average success is, or ought to be, high but where the risk of loss in individual cases is considerable.

It is most important that the operation of mines by joint-stock companies should not be restricted but encouraged, and in order to accomplish that, it is essential that the individual shareholder should be protected as far as it is humanly possible to do so. Theoretically, the director of a company is the trustee of the shareholders. Practically, he is too often merely an agent of the promoter, or a tool in the hands of a clique operating on the market, who take advantage of the peculiar knowledge possessed by the board of the affairs of the company.

When a director gives a private hint to buy or sell the shares of his company he commits a breach of trust. He induces an outsider to purchase shares from the person whose trustee he is, on the strength of information he has acquired through his position as trustee. But so long as human nature remains unchanged this kind of breach of trust is likely to occur pretty frequently.

From the foregoing it is reasonably clear that the one protection for the shareholder does not lie in restrictive law but in enforced publicity. Because the root of the whole trouble lies in knowledge withheld from, or at least not procurable by, the ordinary shareholder. The matter is of vital interest to British Columbia at the present time, because our mining shares are largely discredited both on the London and on the Eastern markets, and they will remain discredited until the investing public are supplied with regular authentic and official information about the output and progress of the mines. What the investor requires is a periodical return of ore