MERGERS PAST AND PRESENT.

Some that have Made Good and Others that have not—Lessons which United States' Experiences should have for Canada.

It was when industrial conditions were recovering from the post-panic depression of 1893-7 that the real "trust" movement began in the United States. Scarcely an important industry escaped consolidation; and in the three years 1898-1900, one hundred and fifty large combinations—with a total capitalization of over $3,500,000,000—were formed. Of these, the subsequent fortunes differed widely. Some fell ignominiously by the wayside; many, for a time at any rate, had to flounder in Sloughs of Despond before getting to really solid ground.

The Voice of the Promoter.

At the commencement of every period of trade recovery, the compelling voice of the promoter is heard in the land. The flow of securities from newly established undertakings and old begins apace. For the successful flotation of these the general stock market level has to be kept up. The strong support given to New York stocks during recent weeks of threatened relapse is credited largely to corporate interests with new scurities in readiness for disposal. Bearing out this surmise is the fact that the total of securities authorized in the United States this year up to the close ot October was about $2,325,000,000, as compared with somewhere around $1,750,000,000 in the corresponding months of 1908. But of the ten months' authorizations only some $1,335,000,000 have been offered the public. The rest it is deemed wise to hold over, in the hope that money loosening will make possible an advance in the stock market price-level, and thus give more favouring auspices for fresh offerings.

The Copper Situation.

In addition to announced authorizations, as given above, many other issues of railroad and industrial corporations are pending. So thoroughly, however, was the ground covered by the "trust" movement which culminated at the beginning of the 20th century that projected industrial consolidations are not at present numerous in the United States. Instead, it seems now to be Canada's turn. There remains one line of industry, however, in the United States wherein some genius for consolidation is now likely to exercise his power. The eyes of Wall Street are fixed intently and excitedly upon the copper situation. Owing to sharp falling-off in foreign demand for copper, the opening up of new mines by active competitors, and disturbance from legal proceedings, failure followed the attempt of ten years ago at forming a really comprehensive copper trust. And there has thus been left this one important field for re-organization in 1909. So far, the impelling motives to consolidation of copper interests do not appear so sound, on economic grounds, as those that led to the formation of the Steel trust. Increasing the price of copper by limitation of mining production seems the be-all and end-all of some at least of the advocates of amalgamation. A trust so formed would be signally open to successful attack by alert competitors, and the history of ten years ago would seem likely to repeat itself. Had Standard Oil and the Steel Trust limited their efforts to attempted monopoly over raw material, they would have failed long ago. Whatever may be said for or against their methods, the success of the trusts has been bound up in their perfecting and cheapening methods of manufacture and distribution. If the diamond trade of South Africa be cited as proving that prices may be regulated year in and year out, and practical monopoly maintained in raw materials, the conclusive reply is that the world's copper areas, unlike its supply of "first water" diamonds, are widely spread and are being added to from time to time. Also low-grade ore, with improved processes of extraction, can be more and more utilized as occasion arises.

Danger of Over-Capitalization.

Broadly speaking, the preferred stock issued in forming the "trusts" of 1898-1900 represented value in existence; and the common stock, value in prospect. Generally there was good reason why a certain amount of value could be looked for, over and above the sum of the capitalized earnings of the individual companies of the various mergers. Merger prospectuses at that time, as now in Canada, pointed out that "savings in buying, selling, freight, administration and manufacture of the combined concerns should add substantially to the net earnings without charging any more for the output." The trouble was that too often a trust was capitalized on the supposition that prosperity profits would continue without a break. Too much faith was implicitly placed—if not always explicitly advertised—in a quasi-monopoly's keeping up prices during off-years. But time has shown that though trusts may modify sharp price fluctuations of commodities they cannot keep up a declining tide in times of a trade ebb. Not only was capitalization oftentimes over large, but too liberal a dividend policy was generally followed in initial years. Most of the preferred stock issues were on the cumulative basis, while dividends on common were often paid from earnings that should plainly have gone to build up reserves against lean years. Promoters and underwriters whose profits depended on gradually getting the public to take over their own stock quotas, would naturally be inclined to urge a rather generous dividend policy from the start-out. To maintain these returns—in other words to have fulfilled the promises made to the stock-buying public by trust promoters—soon became impossible in most cases. To have succeeded in doing so, as E. S. Meade pointed out in his "Trust Finance" some seven years ago, competition would have had to be stilled, labour made content with its wages, borrowers prove successful in all their ventures. "In short, industrial conditions must not fall below the high point of prosperity, and that prosperity must increase."

How far fulfilment fell short of promises for many years in most cases—and apparently "forever and aye" in some—is seen from the following comparative quotations of common stock prices.

The first column of quotations gives the average prices during the first month of listing—representing the initial value that the public put upon the