

THE CONSOLIDATION OF JOINT STOCK ENTERPRISES.

The last few years are likely to be remembered in financial history as the era in which a remarkable movement arose for the extension and consolidation of joint stock enterprises. Soon after the passage of the limited liability Act in England, a similar movement commenced in the old country, which led to a number of private manufacturing firms and banks being converted into joint stock companies. The panic of 1866 following shortly afterwards, and, in the opinion of many, being partly precipitated by the excessive influx of new capital into business enterprises, checked this movement. Capital, however, went on accumulating under the generally prosperous conditions of trade, until its cheapness, from superabundance, again gave rise to a wide-spread desire to secure more revenue by investments in business enterprises than could be obtained from deposits or securities. Private firms in all parts of the country saw in this plethora of money an opportunity for re-organising on a joint stock basis, by which, if their business was sound and profitable, they could extend it by requiring more and very cheap capital while retaining the lion's share of the profits. In cases where the business was not sound or profitable, the firm could secure the return of its capital, with a considerable bonus for the good-will, connections, etc., with handsome salaries for members of the retiring firm as managers of the joint stock company to which the business had been transferred. So much capital going into trade so stimulated competition that economies in production and management became necessary to meet the demand for lower priced goods. In ability to meet this demand, and in competitive force, the large joint stock companies were found to have a great advantage over private firms, who were hampered by limited capital, and the necessity of making net profits upon it, at a larger rate per cent. than shareholders in a company were satisfied with. A company could keep on doing business under conditions that would be ruinous to a private firm. In England, the joint stock movement has not taken generally the form of amalgamations, or trusts, or combines, only a few of which have occurred, notably amongst private banks, as Barclays, Gurneys, Bolithos, Pares, Williams and others.

In regard to the movement in the United States inspired by somewhat similar causes, there is much misunderstanding, with consequent misrepresentation. It is not correct, for instance, to speak of the extraordinary movement in the States as one for the formation of "Trust" Companies, or combines of a "trust" nature as commonly understood. A Trust Company in the States is a financial organization, having features akin to those of a bank, a loan company, and a company to manage estates, both of those held by living owners and those devised by will. A Trust Company is one which assumes the duties of trustees. It is no sense a "combine" to regulate the production and the prices of manufactured goods. The applica-

tion also of the title "Trusts," as indicating combines in restraint of the free action of the ordinary laws of trade to the prejudice of the public as consumers, has created a very general impression that the aggregations of capital which have taken place, and which are still in progress, are violations of the law against trusts and combines which have such an object in view. A combine, or trust, of that nature, is formed by the members of a particular trade, who each, while conducting his own industrial business, agree to fix a common scale of prices to be charged for their goods. No member of such a trust, or combine, sacrifices his business autonomy beyond an agreement to adhere to a schedule of prices common to all others who have entered the combine to establish uniform prices. This arrangement is intended to put a check upon injurious competition. Although it is yet uncertain what view will be taken by the Supreme Courts of the States of these combines, it is certain that they are a violation of the law of a number of the States, as similar combines would, in Canada, conflict with the Federal law.

The recent movement, however, is of a totally different character. It was suggested by the desirability, some will say the necessity, of effecting the purposes of a combine without any infringement of the law to suppress "trusts and combines." What has taken place then is this: the private firms and companies engaged in one line of enterprise have consolidated their interests by forming a new joint stock company which has taken over the several enterprises of those engaged in one line of trade, whose individual capitals have been merged in a common stock, or who have been bought out, and their business either closed up or transferred to the new organization. Against such amalgamations there is no law, nor ever likely to be. Every firm, or company, before agreeing to sell out its business would, of course, fix the price on the basis of "a going concern." The consideration for transfer would be sufficient to cover the risk of whatever capital was handed over, proving less profitable than it had been in the hands of the firm or company which was about to be absorbed. We cannot conceive of an American manufacturer handing over his enterprise to a vast organization in exchange for its shares without guarding himself against the chance of losing his capital when passed out of his control or protecting himself against the risk of seriously reducing his income by the transfer. Our American friends are too shrewd to take such chances for nothing, more especially when, by transferring their business, they practically bring their independent career, with all its possibilities on the future for themselves and their families, to an end. We regard it, therefore, as certain, on the grounds of ordinary prudence and common sense, that all the firms and companies which have entered into an amalgamation with those in the same line of trade have disposed of their property on a valuation very largely in excess of the capital they had invested in their enterprise. The rapidity with