

# The Monetary Times

## AND TRADE REVIEW,

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### THE CAPITAL OF THE PACIFIC RAILWAY CO.

The amount of the capital of the Canadian Pacific Railway Company has a direct bearing upon the rates and fares which the Company is entitled to charge. When the Government gives its sanction to a tariff of rates, which the Company may charge, the figures cannot be reduced so long as the net earnings of the road do not exceed ten per cent. on the capital. It is, therefore, important to know how the capital of the Company is made up and what is its total amount. The question has been under discussion in the House of Commons. For once, Sir Charles Tupper and Mr. Blake are found agreeing in opinion, on at least three points; and if their view were acted upon, a novel method of railway book-keeping would have to be commenced.

Both these gentlemen agree that the capital of the Company is the capital which it puts into the work "over and above all the subsidies;" and that on this capital the ten per cent. profit is to be calculated. They both agree, also, that the bonds must be reckoned at their face value; since the whole of the amount has to be repaid, and, it might have been added, interest thereon. This, we think, is the correct view of the matter. But with regard to the stock, these two gentlemen, still agreeing, take a different view. They think that the stock should not be reckoned at its face value, but at the amount received; in other words, the face value, less the discount at which the stock sells. This, we venture to say, is a novel way of counting the stock of a Company. No Company puts its stock at the figure it sells for; all Companies of every kind put their capital at stake at its face value. In a case like the present, where the rates and fares depend upon the amount of the capital, it is very important that no fictitious capital should be created. But to issue stock for the purpose of raising money, necessary to carry on the work, is a *bona fide* act. The Company has raised money in two ways: by issuing land-grant bonds and by the sale of stock. The bonds are understood to have netted 90 per cent. of the face value; and they are taken back by the Company, in payment of lands, at 10 per cent. premium. The original stock of \$25,000,000 was probably all held by the original syndicate. When the capital was increased to \$100,000,000, the new stock was offered to the public. But it was first allotted to the original stock-holders at 50; sales afterwards made

to the public were at 60. The allotment must be regarded as a sale, and if it were a question whether the stock should count at 50 or 60, the former would be the correct figure. But the question whether the face value is not the true amount of the stock, is not, in our opinion, so easily disposed of as Sir Charles Tupper and Mr. Blake seem to think. It is true that the stock does not, like the bonds, carry interest whether it be earned or not; and the stock has not, like the bonds, to be paid off, at the face value, or at any other figure. But the moment it is issued, the stock stands in the Company's books at its face value; and the dividend, if any, will be on that nominal amount. The purchasers have bought a speculative security—as all securities are before they earn a dividend—and the low price was the inducement that led them into the speculation. They considered that the risk they ran entitled them to the inducement held out; and if the Company prosper and be able to earn a dividend, they will expect to get it on the full nominal amount of the capital, that is, on the \$100 for which they paid \$60. If they had been told that, in any case, they would only get a dividend on the \$60 they put in, they would have understood that they were practically buying the stock at par, and probably they would one and all have declined to purchase. Even at 60 per cent. purchasers, it is evident, are none too numerous. In other words, the great majority of people, in Europe and America, who deal in stocks, decline to make the venture at 60; if they had not, the whole of the stock offered would easily have been sold. Here then, arises a question of good faith. Are the purchasers of this stock now to be told that their capital is to be reckoned not at its face value but at the 60 per cent. which they paid for it? If they had known that it was to be so reckoned, would they have purchased? If they would not, have they not a right to complain, of this mode of counting the stock? To these questions, there can be but one answer.

We are quite aware of what the popular desire is likely to be; but a question of scientific accuracy must be settled by exact methods. If Sir Charles Tupper and Mr. Blake will reconsider their mode of reckoning the stock, we think they will see reason for changing their opinion.

The great difference in the price obtained for the stock and for the land grant bonds will not have escaped notice. But there is a wide difference between stock and bonds. The stockholders are the proprietors, responsible for all demands; the bondholders have nothing to do but hand in their coupons and receive their interest. Whether the issue of a large additional amount of stock was an economical or a wasteful mode of raising money is open to discussion. The Company had of course the greatest interest in raising money in the most economical way. Had they any other motive, which could lead them in the opposite direction? Onerous as are the terms on which the stock was sold, would a sale of bonds have proved to be a better transaction? This question must be settled before we can know whether a preferable alternative to the sale of the stock was open to the Company.

### BANKING REVIEW.

The statement of Canadian Banks for the month of April will be found condensed below, and compared with that for the month of March last:

	LIABILITIES.	
	April 1883.	March 1883.
Capital authorized.....	\$69,646,666	\$69,646,666
Capital paid up.....	61,231,561	61,209,716
Notes in Circulation..	33,082,658	34,517,813
Dominion and Provincial Gov't deposits...	9,533,306	9,825,298
Deposits held to secure Govern'm't contracts and for Insurance Companies.....	1,040,482	1,054,731
Public deposits on demand.....	45,130,180	44,223,971
Public deposits after notice.....	52,336,808	52,559,918
Bank loans or deposits from other banks secured.....		
Bank loans or deposits from other banks unsecured.....	1,364,726	1,155,535
Due other banks in Canada.....	948,047	1,172,978
Due other banks in Foreign Countries...	174,093	340,005
Due other banks in Great Britain.....	2,298,491	1,509,990
Other liabilities.....	298,810	245,113
<b>Total liabilities ..</b>	<b>\$146,207,607</b>	<b>\$146,633,878</b>

	ASSETS.	
	April 1883.	March 1883.
Specie.....	\$6,008,328	\$6,487,026
Dominion notes.....	10,133,746	10,395,167
Notes and cheques of other banks.....	6,749,510	5,546,385
Due from other banks in Canada.....	2,773,681	3,290,276
Due from other banks in Foreign Countries	11,178,542	10,664,427
Due from other banks in Great Britain....	1,708,677	1,905,018
Immediately available assets.....	\$38,547,484	\$38,256,299
Dominion Government debentures or stock.	900,722	902,722
Public securities other than Canadian.....	1,304,613	1,303,613
Loans to Dominion & Prov. Governments..	1,611,309	1,422,029
Loans on stocks, bonds or debentures.....	13,304,684	14,193,491
Loans to municipal corporations.....	1,205,662	1,194,073
Loans to other corporations.....	12,952,106	11,728,601
Loans to or deposits made in other banks secured.....	30,000	30,000
Loans to or deposits made in other banks unsecured.....	872,980	582,141
Discounts current....	146,613,143	147,830,239
Overdue paper unsecured.....	1,678,782	1,993,548
Other overdue debts unsecured.....	124,712	155,634
Notes and debts overdue secured.....	1,726,453	1,787,198
Real Estate.....	1,301,225	1,400,415
Mortgages on Real Estate sold.....	762,360	741,129
Bank premises.....	3,145,601	3,144,847
Other Assets.....	2,076,643	2,653,094
<b>Total Assets .....</b>	<b>\$228,158,488</b>	<b>\$228,809,097</b>

We append, in addition to the above figures, our usual comparative statements covering groups of banks.

30TH APRIL, 1882. (In thousands.)				
Description.	Banks in Quebec.	Banks in Ontario.	Banks in Maritime Provs.	Total.
Capital paid up....	\$6,684	\$16,768	\$6,546	\$29,998
Circulation.....	17,882	11,405	3,425	32,712
Deposits.....	57,046	40,454	9,011	106,511
Loans & Discounts	93,391	61,208	16,796	171,395
Cash and Foreign Balances (Net)...	22,387	6,524	2,246	31,157