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COLONIZATION COMPANIES' SHARES AS AN INVESTMENT.

If, as has been understood, the new colonization companies formed to operate in the North-West, be required to make their first payment, on account of the purchase money of the lands they acquire, on the 1st September, a test of their ability to take their first step will be made. There is no doubt, in the mind of any prudent persons, that too many of these companies have been formed; that the applications cover, in the aggregate, a quantity of land for which there is no reason to believe settlers could be found in any reasonable time. To pay dividends, a company must begin to sell at once, and it cannot sell unless settlers can be found. The lands of which those companies will get possession are not those which will first come into demand for settlement; their distance from the railway is decisive on this point. The exception will be in the sole case where the lands have been purchased from the Pacific Railway Company.

The Government and the Railway Company offer the best terms to purchasers; the Hudson's Bay Company could afford, if the economic law of competition came into force, to sell on better terms than the colonization companies, since its lands cost it nothing, and it is still in a position to extract profits from the fur trade. The colonization companies have, to use a slang phrase, to take a back seat; to go farther from the railway than the settler need go to get lands from the Government and the Railway Company. The Government makes free grants to settlers and will for many years continue to do so. What it sells it sells at the lowest price; at a price with which, other things being taken into account, the colonization companies cannot compete. Years must elapse before the lands of the companies will be required for cultivation. Speculative purchasers may occasionally be found where the regulations allow sales to be made otherwise than on conditions of settlement. But to such sales there is a limit; for why should speculators buy from companies, when it is so easy to become shareholders in some of the companies? While sales are deferred, where are the companies to get the means to pay dividends?

This point, we think, has not been sufficiently considered. The popular anticipation of great and rapid development of the North-West we, to some extent, share. But everything is relative; and in spite of all

that may be done to attract immigrants, land must for a long time be superabundant there. As a rule, things which are superabundant are not safe subjects of speculation. The speculation which offers the best chances of success is that which fastens on whatever there is a scarcity of. Farm lands lying in a practically limitless wilderness are the reverse of scarce. The only lands in this country to which monopoly prices can attach are building lands in established centres of cities with an assured position and future.

But the shares of the colonization companies have gone up above par, some of them almost before they are allotted, to double their nominal price. And this while the companies have earned nothing; have made few or no transactions in the way of sales; the rise in the selling price of the stocks means a discounting of the future, in some instances an imaginary and delusive future, never destined to be realized. The fancy prices mean disappointment for some body, and loss with all its attendant woes. A company which has bought lands of which some part is immediately saleable, and of which other portions will continue to be in steady demand, may pay a dividend from the first, and end in making large profits; but this must be a rare exception, not the rule.

At the best, there must, if any large proportion of these companies go into operation, be an absence of dividends for some years. Exceptions there will be; but this, we think, must be the rule. A loss of interest for twelve years is about equal to the loss of all the capital; since, at compound interest, money ought to double itself in about that time. Many envy the Canada Company its large profits; but they forget that the absence of dividends at first was equal to the loss of all its capital twice over. The British American Land Company had a similar dolorous experience. But settlement in the North-West will be much more rapid than it was in Upper and Lower Canada, when these companies were young. But while this is true, it is also true that the proportion of land to settlers will be not less excessive than it was where these two companies carried on their earlier operations.

The competition of the Government and the Pacific Railway Company is not going to cease. The Government has refused to entertain more offers from companies to purchase lands in the North-West; it retains large quantities of lands which it will be compelled by public opinion to give away in part and to sell in part at low prices. Many years must elapse before the Pacific Railway Company will have land to sell in the most accessible positions; and so long as these lands are in the market, settlers will prefer them. The Company will aim to undersell all competitors; its object being, above everything, to get people and produce to carry. It would be difficult to fix a date in the future when the colonization companies will be able to get a large price for their lands. The branch lines of railway, on which the companies must sometimes depend, may or may not be built or owned by the Pacific Railway Company; but that Com-

pany will find no difficulty in discriminating in its own favor.

Except so far as it has the advantage of position in its favor, it is difficult to say whether the competition of the Hudson's Bay Company, as a seller of farm lands, will be formidable to the colonization companies. As it is not specially interested in the rapid settlement of the country, but perhaps rather the contrary, the Company's policy will probably be to wait; it can afford to do so without passing dividend, and in the end may make more profit by deferring sales till the price has considerably increased. But the colonization companies could not wait, like the Hudson's Bay Company, and pay dividends. They must sell when they can, or their shareholders must for years be content to forego dividends. Even if the profits should ultimately be sufficient to recoup them for this abstinence, enforced and therefore unpleasant, many present holders must lose. The weak would go to the wall; "freezing out" would become a familiar process; and if there were no aggregate loss, which is not impossible, there would be much individual loss, and it would fall on that portion of the shareholders least capable of bearing it.

Looking at the average colonization company, and leaving a few exceptions out of the account, we think investors in shares should, to be on the safe side, be in a position to do without dividends for some years. In that case, they may possibly do well in the end, though we do not undertake to guarantee that they would; but those to whom regular dividends are an object had better not invest in these ventures. Where this consideration has been disregarded, there may be no hope for this class of investors, except in the dissolution of the company, before the first payment is made. The time for considering what is best to be done is short, if the first payment has to be made to the Government on the 1st September.

Some may think that this view of the matter is not sufficiently hopeful. But the grounds of our conclusion seem to be sound. To this view public opinion in England is said to be settling down; and the doubt is expressed if any new colonization companies, additional to those already set on foot, can be successfully launched there. The case is eminently one for the exercise of prudence.

Some companies may enter into engagements under the belief that if they fail to meet them, a release from some of its more onerous conditions may be counted on. But it is dangerous to indulge this hope. These companies are likely to become very unpopular; and the feeling which is now strong in the North-West, that they should be held to their bargain, so far as settlement is concerned, will grow stronger. This fact should be kept in view by intending subscribers or persons who may be tempted to purchase shares.

—The railway returns for the United Kingdom, just issued, state the total extent of railways in the United Kingdom at 18,175 miles, an increase of 242 miles during the year. The total paid-up capital is 745,528,162*l.*, of which ordinary stock stands at 275,935,904*l.* The total cost per mile is thus 41,935,904*l.*