

that the change, whenever it takes place, will not lead to a new departure in this respect. It must not be forgotten, and this may be a far more important factor in the case than is generally understood, that Mr. King has again entered the service of the bank, if service it can be called. He has become chairman of the committee which directs the operations of the bank in London, England, and possibly from thence he may exercise a large influence over the institution even in Canada.

These, however, are mere surmises. When an appointment is made the public will be better able to judge. But we need to beware of judging hastily, even by antecedents. Men change sometimes with the change of position. A grasp of the reins of power seldom fails to exercise an influence upon the individual holding them. The power will be accompanied by such heavy responsibilities in these times as to exert a very sobering influence. The single fact that the new manager will have to take over between twenty and thirty millions worth of discounts, notes, and other securities, is of itself such an onerous one as would make many men shrink with apprehension. Five years ago the case would have been different. Probably every bill and security might then have been taken just as it stood, with little apprehension. But now the case is changed. The times are out of joint. The commercial fabric is shaky, and it is hard to say who is good and who is not. The shrewdest are at fault. They can only hope that from this time there may be an improvement. It is probable that by his method of dealing with this matter, the new manager, whoever he may be, will at once give the public an opportunity of judging of his character.

RAILROADS IN THE UNITED STATES.

During the whole period of depression, from 1873 to the close of 1878, the traffic of the American railways continued to increase. During these five years the increase of tonnage was not less than fifty per cent. Within the decade, the tonnage of some of the old roads has doubled. If the railways have not been prosperous, it is not because business has been slack. But, while this progressive state of things has existed, the earnings, both gross and net, have fallen off, and dividends have undergone a decline. The percentage of net earnings to capital has fallen off from 4.86 in 1873 to 4.10 in 1878. But even this is a better showing than our railways make.

Taken as a whole, American railway securities yield a larger return than the secu-

rities of the national government. But the difference is slight, and the earnings are so far from being uniform that railway securities are not nearly as certain to bring a given return. As an indication in the decline of the earning power of capital, the net earnings of American railways to the capital invested in them, are not uninteresting:

	Percentage of net earnings to capital.
1871	5.32
1872	5.25
1873	4.86
1874	4.49
1875	4.20
1876	4.16
1877	3.74
1878	4.10

The net earnings of the railways bear some not distant proportion to the rate of interest which Government bonds have borne; and the coincidence may be more than accidental. There is a constant tendency to a minimum of profit; and when profits are low the rate of interest cannot, as a rule, be high. Allowance must be made for the fictitious element in the capital of railway companies. Few of the roads cost or ought to have cost the amounts put down as share and bonded capital. But as a set-off there has been a reduction in the nominal amount of capital. Poor's *Railroad Manual* says reorganization has followed financial embarrassment; and that in this process the rule has been "to reduce the interest-bearing securities to a sum the interest on which could in all probability be met by the accruing incomes; leaving dividends on common or preferred stock to be paid as earned." How far the reduction of capital would compare with the fictitious amounts of original capital we have no means of knowing, but the one is obviously a consequence of the other. The fiction must often represent something which it would be difficult to distinguish from fraud. Promoters pocket what innocent investors lose. Possibly the reduced capitals do not differ greatly from the amount of real capital actually put into the roads; but this is a point on which certainty is unattainable.

The low rate of railway earnings does not prevent persons being found willing to put capital into new roads. Since 1873, the extension of mileage each year has been:

	● Annual increase of mileage.
1873	4,197
1874	2,105
1875	1,712
1876	2,712
1877	2,339
1878	2,694

This is not a comparatively high rate of increase in the mileage, but it indicates that a low rate of net earnings does not put an end to an extension of this kind of investments. The construction of new lines often adds to the business of the old, by giving them additional connections. The opening up of new territories and the reaching of new mines are powerful motives in favor of railway extension. Mr. Poor thinks this process will go on till the present mileage, great as it is, will be doubled. This is probably a sanguine view of the matter; but it can hardly be doubted that those who think railway construction virtually at an end in the States are under a delusion.

A very slight increase in the tariff would make the American railways good paying property. But what probability is there that such increase will be made? If the true law of this competition were discovered, it would probably be found that it is the natural process by which the profits of railway investments are brought down to the average level of the profits on similar investments. American bank stocks yield a little more, it is true; but the hope of monopoly profits, which must in the end prove purely delusive, buoys up the great railway operators. A permanent railway monopoly, in a free country, is as impossible as universal empire; but the conviction of its impossibility has by no means taken possession of the minds of the Vanderbilts and the Tom Scotts, who have been able to make themselves veritable railway kings. Their policy does not enable them to realize their aim; but it does bring down railway profits to the level of the interest obtainable on Government securities; and while the delusion lasts it is likely to continue to do so. Combination would only be another form of monopoly; and it seems not less possible than the general destruction of weaker rivals. That cannot be an unreasonable conclusion which assumes that, under actual circumstances, the present rate of profit is all that can be made on American railway investments.

MUNICIPAL INSURANCE.

It is quite apparent from a recent article in its columns, that the *Galt Reporter* favors municipal insurance, and would have a fire insurance department in Galt under municipal control. We assume that the department would monopolize the insurance of buildings, and limit its operations to immovable property; that the amount insured would be based upon the appraised value of the subject, and cover not more than two-thirds of that; that in the event of loss it would rebuild or repair, but pay no money, and so offer no