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THE GRAND TRUNK AND THE CANADIAN PACIFIC RAILWAY.

After doing one another all the harm they could, the Grand Trunk and the Canadian Pacific railway companies have resolved upon a truce, and something more than a truce. The verbal war was waged fiercest on the side of the Grand Trunk, and it was directed against the credit of its rival; actual competition in freight can hardly be said to have commenced, at any point. Some competition for the control of subsidiary or complementary lines there had been. The Canadian Pacific scored two victories; one when it got control of the Canada Central, and the other when it put its hands upon the Credit Valley. Then came the turn of the Grand Trunk, and the North Shore railway fell into its grasp. To the Pacific Railway Company this line would have been useful; and its acquisition by the Grand Trunk must have had in view the discomfiture of its rival. The Pacific Railway Company was preparing to compete with the Grand Trunk from Montreal to Detroit.

This was about the relative position of the two companies, when one or the other of them hoisted a flag of truce. It is probable that both were anxious to escape from the perils of the actual situation and to remove the clouds which hung over their future. In the verbal war, the Canadian Pacific had suffered most. Practically, it had been kept out of the London money market, and had to scrape up what it could in Canada and to put its securities on the exchanges of New York and Amsterdam.

All the details of the arrangement are not yet known; indeed they have not been settled. But it is settled that there shall be a cessation of war; and this is a great point for the Canadian Pacific. The basis of the union as reported comprises the guarantee of monopoly of the North-West traffic and an interchange of traffic between the two lines. Whether the Ontario and Quebec Railway will be completed has been questioned. On this side, a decided affirmative has been ventured upon. The Grand Trunk, in giving up its claim to share the North-West traffic must have got some substantial equivalent; though what it is does not quite appear. Its claim, as it must have known, was not likely to be admitted for some time, and therefore it makes no present sacrifice by this concession. And the Canadian Pacific will only gain a partial respite from attack. The guaranteed monopoly will be as objectionable to the North-West, as it was before. The

attack may cease on the front; but the flank movements will continue. Although the Grand Trunk had no present prospect of breaking the barrier of the North-West frontier, it was making things uncomfortable to its rival; and may well have had a feeling that, in the end, it must succeed. What, then, has it gained as the condition of peace? We think there can be but one answer to this question: there must be an understanding that it is to have immunity from competition between Montreal and Detroit. This is morally certain when we consider that the one great complaint of the Grand Trunk was that the Canadian Pacific did not confine itself to its proper work; but that, in the words of its president at the recent meeting of proprietors, it was "working in opposition to the Grand Trunk." He added, that "the Grand Trunk would have been delighted to have acted harmoniously with the promoters, had they been content with the Pacific only." It is quite evident that as a condition of having the North-West trade to itself, the Pacific Company must give up opposition to the Grand Trunk. A mere interchange of freight, which may be as advantageous to one road as to the other, affords no sufficient explanation. For that matter, the legislature might, without unduly interfering with private rights, insist on an interchange of traffic between the roads in a position to exchange. This is done in England, and there can be no good reason why it should not be done here.

The Canadian public will not view with complacency an arrangement which, so far as the companies are concerned, guarantees a monopoly of North-West traffic to the Pacific Railway, and to the Grand Trunk immunity from competition from Montreal to the Western frontier of Canada. The companies, if they be wise, will not act in an exacting spirit or try and extort from the public the highest rates and fares which their position might enable them to get. But will they act with wisdom? Practical monopoly, if not tempered by reasonable concessions to the public, is as dangerous to its possessors as to those against whom it may be used. An abuse of monopoly is sure to bring its own cure; but the trouble is that the malady returns, in one form or another.

The Canadian public will probably take comfort from the consideration that agreements between railway companies must be very strong to hold. Such agreements, when they stop short of a lease of amalgamation, are specially liable to be broken. Whether this latest of them will fare any better is a mere matter of speculation. If the Ontario and Quebec Railway be completed, the temptation which the Canadian Pacific will be under to make special agreements, outside of the bond, will be very great. But to yield to that temptation might bring about a renewal of the war; and as that company has most to fear from this, it will be under heavy bonds to do nothing that might lead to a breach of the peace. Whatever else may happen, it is certain that the Canadian public will view the arrangement between the companies with profound suspicion and deep dislike.

BANKING BY LOAN COMPANIES.

Some Loan Companies, whose chief business is to lend on mortgages, have fallen into the habit of discounting notes. When they do so, there can scarcely be a doubt they exceed the limit of their legal powers. Borrowing money, by receiving deposits, at one rate of interest and lending it on promissory notes at another, is of the essence of banking. If collateral be taken, that does in no way alter the nature of the transaction or tend to give it a legal character.

It may be that some local charters purport to invest loan companies with this power; but a local charter which does so is *ultra vires*, since the regulation of banking rests with the Dominion legislature. No concurrent power to grant banking privileges is vested in the provincial authorities. This is so plain that it is difficult to see how any loan company could have acted on a misconception of authority or supposed that a provincial charter could confer on it the power to do a banking business. These local charters, being granted under a statute, do not come under the notice of the Dominion Government and the veto power cannot be brought into activity.

Any form of loan which it is not legal for a company to make is a dangerous thing to grant; the money so lent may be in danger of being lost, on the mere ground of the irregularity of the transaction. Loan companies have, therefore, the greatest interest in avoiding this dangerous and forbidden shoal. Their only safety is to decline the risk. When they incur the risk, they put the whole amount loaned at hazard. If the loan could not legally be made, it is fair to conclude that it could not be collected.

Loans on stocks some of these companies can make, and there is no reasonable objection to their doing so. In this respect, they occupy a very different position from the banks. They possess several privileges which banks do not possess, of which lending on the security of bank as well as other stocks is one. Both banks and loan companies are restricted in their powers; and if the banks are required to keep within the limits of their authority, there is just as much reason why loan companies should equally be held to their responsibilities. In fact, if the practice in question becomes any thing like general, the banks would have good reason to complain. Better it would be, if neither poached on the other's preserves. It is easy to see that great abuses might arise from the forbidden practice. A loan company might elect to lend the greater part of its means on notes, and having the power to lend on mortgages also, it would be enabled to do what the banks are prohibited from doing. This would certainly not be fair to the latter.

A loan company, by discounting notes, could open the way to the creation of fictitious capital. A loan in this form, applied to the payment of stock, would lead to a false estimate of the capital strength of the company. As the company's capital is the basis of all its credit transactions, this would be dangerous. The extent of these credits is increasing, in more than one direction. The borrowing on bonds and through deposits is increasing. There are limits, which