

happens when there is not traffic enough to enable them to earn a return on their cost; and there are many circumstances which prevent railway companies having a commercial basis to rest on. A road running through an unsettled country is in this condition during the first years of its existence; competing roads for which there is no need, cannot earn dividends. But a road with a fair commercial basis ought to be able to earn a return on the capital honestly expended upon it; on fictitious capital there is no need for it to do so. But the discounts to which railway companies have to submit in negotiating their securities are not to be confounded with water: they form the barometer which marks the credit of the companies at the time it has obtained capital on stock or on loan. There is no economic reason why through freight should be carried at a figure which does not return the cost of the operation with some profit. And absolutely there can be no object in carrying freight on any less favorable terms. But while it is reasonable that all the business of a necessary railway should be charged at a rate which leaves a profit, it is not fair that any section of it should bear more than a reasonable proportion of the fixed charges and a fair profit to enable the company to carry through freight below cost. Some discrimination may in equity be made between short and long distances; but it can never be justifiable to make it great enough to enable one description of freight to be carried below cost. And to carry freight below cost is commercial insanity. There is such a thing as commercial war which makes a present sacrifice to secure the destruction or surrender of a rival; and this war is especially exemplified in excessive railway competition. Of course the present sacrifice is not intended to be final; the war has conquest for its object, but even when victory crowns the effort, victory is often too dearly purchased. Destructive competition is one of the methods of monopoly actual or hoped for, and when the war over long distances is carried on at the expense of short distances, it may fairly be subjected to legislative restraint. It is fair to insist upon a restoration of the equilibrium, but the levelling cannot all be downwards; on short distances the levelling should be downwards, on long distances upwards. But it will be necessary not to overdo the work in either direction, for distant countries which are just beginning to be settled, can only come under civilizing influence by reducing the cost of communication between them and the outer world, to the lowest paying point.

CHATTEL MORTGAGES.

The law in this Province on the subject of chattel mortgages has never been in a very satisfactory condition, considered from a business standpoint. Whether it in the public interest that such securities should be allowed at all to prevail against the claims of creditors is a matter open to doubt. Apart from the broader question, there is very much in the present state of affairs that ought to be susceptible of legislative improvement. To prevent by law the giving of chattel mortgages to secure present advances of money, or intended advances of goods, might

perhaps not serve any good purpose; such instruments are well enough in their way, to secure payment of the implements of a farmer, for example. The giving of such securities for pre-existing debts ought to be deemed, however, to stand on an entirely different footing; and it is worthy of the consideration of our legislators whether in the public interest such securities shall not be entirely invalidated. As affairs now stand, there is supposed to be a law in the statute book for the prevention of the giving of such securities by persons in insolvent circumstances. That law is practically a dead letter, and is worse than useless, because it may delude some people into the idea that the law provides some redress for this evil. A slight amendment was made during the last session of our Ontario Parliament in the statute governing this point; but if that amendment means anything it appears to place the matter in a worse position than ever, if that be possible.

In effect, by the application of the absurd doctrine called the "doctrine of pressure" the Courts have negatived the real intention and purpose of that enactment. They hold that wherever security is procured at the instance or at the request of the creditor—as of course it always is—it cannot be said to have been given by the debtor with "the intent to prefer" such creditor. The result is that where properly advised a creditor who is disposed to take advantage of his fellow creditors, and who is able to induce, cajole, or threaten his debtor into becoming a party to such a transaction, is invariably successful; unless it turns out that there is some technical defect in the instrument of security. The Creditors' Relief Act, by putting an obstacle in the way of preferences by means of judgments, which were before so common, has in effect made the securing of such preferences by chattel mortgage take the place of the old preferences by judgment. The result is that these preferences are of every day occurrence. The worse than confusion which has resulted calls loudly for legislative redress, and emphasizes the necessity for a new and comprehensive measure emanating from the only authority that has power to deal properly with the question. Any attempt by the local legislature to provide in an indirect way for the equitable distribution of the assets of insolvent debtors will always be imperfect and unsatisfactory, because of the limited jurisdiction of the local legislature over the subject, if indeed that legislature has any jurisdiction whatever, which is open to some doubt.

It appears, as was well pointed out by a correspondent in our last issue, that among the retail trade generally there is an ignorance of the law relating to chattel mortgages, which enables unscrupulous creditors to inflict a positive injury not only upon their fellow creditors, but upon the common debtor as well. Frequently these instruments are procured on the express representation, or the tacit understanding, that none but the parties will know anything about their existence. It is important that every one should be made aware that these instruments, to be valid require to be recorded, and that they are then in due course published to the trade by the mercantile agencies. The result is

that almost invariably the giving of such a mortgage security means the immediate suspension of business of the trader giving it. The whole transaction becomes known to the trade within a week or ten days at the most after its consummation, and the inevitable result must follow. If debtors as a class knew that this must inevitably be the result there is no doubt that it would in a measure prevent the consummation of some of the preferences with which the moral sense of the business community—and we believe it has a moral sense left—is so often shocked.

Let our readers know that these instruments must necessarily become known, else they are of no value, and let every honest man determine whatever the state of the law may be, to meet his creditors fairly and treat all alike when he finds himself unable to continue without placing a chattel mortgage upon his stock. By so doing he will in nine cases out of ten be best serving his own interests, as well as performing his simple duty. A general dealer who gives a chattel mortgage to some one creditor seriously if not permanently damages his own credit and works manifest injustice to his other creditors. Doubtless many are coaxed, or pressed to do so. We have heard of cases where agents or solicitors of a house made promises to a trader to induce his compliance, promises which could not be kept. Some, again, who get behind, are threatened with dire results if they refuse. All such may understand that their better course, when such a demand is made upon them, is at once to consult the whole of their creditors, and give undue preference to none.

THE DRY GOODS TRADE.

The year 1884 is likely to be remembered by dealers in dry goods as one of unsatisfactory results arising out of peculiar conditions. Succeeding two or three years of great activity, both in manufacturing and importing, when profits were fair, payments good, and consumption large, the year just past witnessed a great fall in values everywhere, serious over-production at home and abroad, with disappointing prices for our staples of grain and lumber, which severely lessened the consumption by the people of textile goods.

"It has been a queer year," said a dry goods importer consulted; "our worst trouble has been the cutting of prices, and there is great reason to complain, too, of the relaxation of terms of credit." Much has been made of the falling off in dry goods imports, as evidenced by the Custom's returns. The decline in amount of duty received at Montreal (on all merchandise) was a million dollars or one seventh; at Toronto, \$336,000, or one tenth; at Halifax, \$64,000; at St. John, \$173,000 or seventeen per cent. But it must be remembered that the decline in value of many lines of goods has been much greater in proportion than the apparent decrease of imports. The same amount of money suffices to buy much more cottons or woollens, as well as provisions or sugar.

Wholesale stocks have been kept low. In the face of a falling market no one of ordinary prudence bought lavishly. Of course,