

RAILWAY FINANCE.

THE announcement in the New York newspapers of last week that the two VANDERBILT lines—the Lake Shore and the Michigan Central—had passed their quarterly dividends, was not to the initiated an unlooked-for event. But to outsiders, who had pinned their faith on the honesty of the VANDERBILT directory—one of the few Directorates of reputation in New York—it has had all the effect of a thunderbolt from a clear sky. The results are shewn in the quotations for the stocks of these lines; the Lake Shore, which a little over a year ago was quoted at 108, is now selling at 64, and the Michigan Central having fallen from 88 to 55.

Our object at present is, not so much to review the causes which have led up to this disastrous fiasco on these two lines, as to call attention to the general style of railway financing which permits such a condition of affairs.

The primary cause is undoubtedly the confidence-game-method by which the management of a large number of American railways is characterized. The plan pursued is a simple one after all. Statements of the current earnings, from which alone railway dividends are, or should be, derived, are denied by the Directors; the market is rigged by flyers that such and such a line is doing an enormous business, or that new connections of a valuable character have been formed; or that enormous savings are being made in the working expenditures. Dexterity of a very ignoble character is displayed in working all such strings; the market price of the stocks is inflated, and when the controlling spirits have succeeded in inducing the outside public to invest, and the truth can be no longer concealed, the bubble bursts and ruin is caused to the many to the enrichment of the few. Tactics of this character are resorted to—first to "bear" and then to "bull" the stocks, the result being the same to the outside public, who are tossed and fleeced alternately as the manipulators may decree.

Are there no lessons to be learned by the Canadian public from these events? Have we a Wall Street *in nubibus* in our midst? Any disciples who have taken a leaf from the Mentors of Gotham whose names are notorious over the length and breadth of the United States? We very much fear there are. Many recent bank and commercial bubbles that have exploded in the year just closed in Canada, where precisely the Wall Street practices have been followed, attest the fact that men in our midst have fallen just as low in commercial morality as any GOULD-VANDERBILT-VILLARD magnate of Wall Street.

What is the remedy? Are the laws of the country powerless? Can Parliament not intervene? Are all our legislators so blind to the demoralisation already effected, so insensible to its silent yet steady growth, that this tide of chicanery and immorality cannot be stemmed, and old-

fashioned commercial principles, and methods once again brought into play? Shall our CANADIAN PACIFIC be a second Wall Street Credit-Mobilier, and the national highway of Canada be a synonym for jobbery, and its Syndicate for a product of these modern times—the Railway Wrecker? Measurably, the Canadian Government are participators in this matter. It is on it that the public in Canada and in England rely to protect their interests, and it is impossible to conceive that they will fail in their duty in this respect. What fair reason can be given for following Wall Street practice, for withholding the fullest details of the finances of the country's railway? Canada has provided more than half of its cost—considerably more—and is entitled to an inspection of its methods and the clearest statement of its obligations and the expenditures it has incurred.

We ask any business man in our country if he can, to-day, give a business-like statement of the assets and liabilities, the earning power and obligations, of this great concern? We have perused with some care the papers which have from time to time been laid before Parliament, and we are at a loss to comprehend just what the position is. As far as we can make out the assets of the Company will be as under:—

A Main Line from Montreal to the Pacific at Coal Harbour, say	2,900 miles.
Branches west of Winnipeg	295 "
Lines in Ontario	454 "
Branches in Ontario and East	316 "
	3,965 miles.

A Steamer Line on Lake Superior.
A bridge (when built) over the St. Lawrence, and The South-Eastern Railway (now a bankrupt concern) looking towards the Atlantic coast.

But the liabilities of this system who can number? Will one of the organs supply the information? We suggest that our *confrère* the *Gazette* could be of great service to the public in this respect.

The obligation in the shape of preference rentals is a subject we also commend to our *confrère's* attention. We do not assume to be able to "tote" them all, but as an aid to the enquiry we may state the following—all except the stock being a preference charge, and coming before any dividend on the stock:—

Canadian Pacific stock, when the line is complete and equipped, will probably not fall short of \$100,000,000, on this the Government guarantee 3 per cent. on \$65,000,000 for 10 years, and will probably be asked to guarantee the remainder. The Company has undertaken to pay 2 p. c. additional	\$5,000,000
The guarantee to the Ontario and Quebec of \$10,000,000 debentures, at 5 per cent.	500,000
Ditto on \$2,000,000 common stock, at 6 p. c.	120,000
The lease of the Toronto, Grey and Bruce, per annum	140,000
The Canada Central bonds at 5 per cent., about	115,000
The St. Lawrence and Ottawa bonds at 4 p. cent.	40,000
The Quebec Government bonds on the line Montreal to Ottawa	180,000
The interest on the cost of terminus at Coal Harbor, probably	50,000
The interest on the cost of the bridge to be constructed over the St. Lawrence, and the line to the seaboard, probably	50 00
Say	\$6,645 0

As we have stated there is an attempt in the above, to set down only the obligations and promises of the Company. The railway is being plastered all over with preference liabilities which will have to

met before the shareholders of the Canadian Pacific can receive a dollar in dividends as the result of the earnings of the railway; and such preferences, if we do not greatly err, will for many years to come leave no surplus for its stockholders. A large portion of its stock has been sold by the promoters to themselves at 25 cents on the dollar, and none of it at more than 50 cents on the dollar. What have the public had for it?

And then what is the earning power of this conglomeration, which has already tacked on to it more than 1,000 miles of unproductive branches? There is a wide field for investigation in this branch of our question.

The honor of the Canadian Government is involved in the method of financing this railway, and it will be no plea in bar that the Company is responsible. The Company, or rather the individuals who constitute its directorate, will take very good care of their own interests regardless of the public or the country, and will echo, undoubtedly with great gusto, after carrying off the spoils, the motto of the Wall Street financier, "The public [and the country] be d—d."

We submit that there is good ground for our enquiry—that the system of financing pursued by this corporation, which never comes to the front except when, like OLIVER, it cries to Parliament for more and there enforces its demands with the rule of the tyrant, should cease forever; that the Government should assert its supremacy, and exact from the Company ample information to be laid before the country prior to the assembling of Parliament. Otherwise the country may rest assured that Wall Street financing will be the end of it; the clique will squeeze the orange dry, and leave the Canadian public with a line on its hands to which the Intercolonial—saddling the country as it does with an annual interest-charge of something like a million and three-quarters of dollars a year—will be a mere fleabite.

THE *Investigator*, a journal published in Chicago and devoted to the interests of insurance generally, is out with another decennial number of useful and interesting insurance statistics, fire and life, covering between eighty and ninety pages. This periodical is about beginning its fourteenth volume—a fair guarantee that its statements may be safely relied on by insurance men.

NOVA SCOTIA BANKS.—Application has been made in the Supreme Court at Halifax before the Chief Justice for an order bringing within the operation of the Act for the winding up of Joint-Stock Companies the insolvent Bank of Liverpool, and appointing the Bank of Nova Scotia liquidator. Decision reserved.

A NEW five-dollar counterfeit U.S. Treasury note, series 1875, check-letter A, has made its appearance in Boston. It is made by a photo-lithographic process, and is a very close imitation,