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BREAKDOWNS AND THEIR ORIGINS.

It is becoming fairly obvious as the period of financial strain runs its course that there are other weak spots in the Canadian situation than real-estate speculation. With that reduced to a minimum and for a time so far as new commitments were concerned, practically brought to a full stop, it was popularly supposed that everything that was possible to put our house in order had been done. Some recent happenings have given rather a shock to that comfortable idea. Things are not so nicely arranged for as it was imagined was the case. Within the last two or three months a series of what it is not too harsh to call breakdowns have occurred among industrial undertakings, the cumulative effect of which is not of a kind to make it more easy for us to secure fresh capital in London for our industrial enterprises. The whole effect of these breakdowns, in fact, must be to make the British investor suspicious of our financial methods. It has to be remembered that apart from a few specialties, Canadian industrials have never been particularly popular in London and that, generally speaking, the experience of the British investor in regard to them has not tended to make them popular. The effect of the recent occurrences, and the way in which these developments have been handled, will certainly not be conducive to greater popularity and confidence.

While in some cases it is only fair to say that these breakdowns have occurred as the result of untoward circumstances—such risks as must be encountered by every business enterprise—yet in others it is hardly possible to be so charitable regarding them. Briefly summarised, the principal characteristics of a large number of Canadian industrial flotations of recent years have been these:—(1) gross over-capitalisation; (2) lack of necessary information in the prospectus and a fine disregard of the common rights of

stockholders and the market to information when things were obviously not going well; (3) defective balance-sheets, *i.e.*, balance sheets which give insufficient information or no information at all; (4) what Mr. Huntly Drummond roundly described this week as the cupidity of promoters; (5) lack of working capital or its equivalent. These characteristics are obviously closely related to each other, and it will be found generally speaking that they centre in the greed of the promoter. When money is easy and everything going well, it is easy enough to overlook what are likely to be the probable results of the promoter's greediness; it is only at a time like the present that some of its effects become painfully clear.

The whole matter is a serious one for Canada. If our financial methods fall into disrepute among the people who lend us the necessary funds to develop the Dominion, it means in the long run a considerable slowing down in the pace of our development. The time is overdue for a revision of the various Companies' Acts, both Dominion and provincial, in order to bring them into line with the requirements of modern legislation elsewhere. It is not to be supposed that action of this kind would put a stop to all the financing of the kind complained of which has been lately going on in Canada, but at least it would act as a deterrent, and give notice to our creditors that those in responsible authority in Canada will not countenance, so far as it is in their power, methods which merely bring the Dominion into disrepute. This action would be as much in the particular interests of those who pursue their projects of financing new or existing enterprises upon legitimate or conservative lines as in the general interests of the Dominion as a whole. The promoter is an indispensable and a productive factor of the economic system, but when his greediness becomes much in evidence, it is wise to put a curb on—in the interest both of the Dominion as a whole and of those who are content to follow safer, if less dazzling, methods.