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RAILROAD FINANCE IN THE UNITED STATES.

In commenting upon the British law regarding investment by trustees, The Wall Street Journal makes incidental reference to the recent disposal of Canadian Pacific preferred stock in London. After pointing out that the Trustees Acts of Great Britain in their strict application limit executors in the matter of railway securities to roads situated in the United Kingdom, the Journal draws attention as follows to the fact that there is in practice a modification of the restriction in favour of Canadian railroads: "We must not forget that custom in England has almost the force of law. Wills are drawn on certain well established and well understood models which have been able to stand the test of action in the courts. It is not too much to say that at least 75 p.c. of the wills drawn for the disposal of large funds contain an almost uniform investment clause widening the powers of trustees under the will. This investment clause is practically always broadened to include the high grade issues of the British colonies. It was a subject of comment that Canadian Pacific was able to sell its preferred stock in London on something better than a 4 p.c. basis in the recent past. All such wills would include that preferred stock, in view of the very limited quantity of bonds behind it and the excellent dividend record of the common stock. It will be observed that it was erroneous to take it as representing any particular improvement in the demand for American securities abroad.

"It must be admitted with wholesome humility that in the matter of British investment in American securities we are paying for the sins of our forefathers. British lawyers still exclude American issues in widening the powers of trustees under wills. Their attitude dates back to the old bad days when John Bull obtained his earlier experiences of the dark and devious ways of American railroad finance through the agency of Jay Gould and other patriots of his kidney."

Recognizing the value and present need of an extended British market for United States railway bonds, the Journal urges that railroad interests co-operate with British bankers and brokers to promote such legislation in the old land as would widen the limits laid down for intestate investment under an order in chancery. "Parliamentary action is expensive," is the frank statement of our New York contemporary "but money can be honestly employed in securing such a readjustment for good cause shown. There could probably be no better investment for some of our railroads, whose 'legal expenses' include matters far less reputable, than to co-operate with British interests in securing such legislation." This presentation of the United States side of the case has the merit of bluntness at least. But, read in the light of present railroad conditions and Wall Street manipulations, it is scarcely calculated to convince "John Bull" that the "dark and devious ways of American railroad finance" belong altogether to "*old* bad days."

Recent enormous railroad borrowings on short-dated notes have been commented upon in The Chronicle, as being at best of doubtful policy. Certainly such financing will scarcely tend to any such consummation as that devoutly wished by The Wall Street Journal. Another prominent New York journal, The Financier, points out that a chief reason why the railroads are able to find purchasers for short-term notes much more readily than for long-term obligations is the prospect of radical legislation—both federal and state—deranging the valuation basis of corporation securities. How prolific railroad legislation has been in the United States during the past year is shown by the fact that in ten western states about 600 bills have been presented during sessions of legislatures, apportioned as follows: Illinois, 72; Iowa, 47; Wisconsin, 125; Missouri, 177; Nebraska, 79; Kansas, 55; Colorado, 4; Montana, 11; South Dakota, 10, and Wyoming, 7. The Economist of London, too, believes that a popular and legislative agitation is at hand regarding United States railroads, comparable to the granger upheaval of thirty years ago. And just now the prospect of presidential intervention is very much to the fore in affecting the situation. Altogether, investors seem chary of long-term securities, fearing the possibility of deterioration through public agitation and consequent enactments of a drastic nature.

But while, at first thought, there seems reason to prefer short-term notes to long-term bonds, more careful consideration tends to disprove it—especially in view of the fact that the latter securities can now be purchased at prices more favourable than at any time during twenty-five years. Nor is the outlook as to future legislative enactments so disturbing—with regard to bonds at least—as seems generally considered. The evident desire of