THE GREAT WESTERN RAILWAY MEETING.

The extravagant expenditure on the construction of our leading lines of railway has produced—as might have been foreseen had people not been carried away by folly—a perpetual crop of deficits, losses, recriminations and incalculable damage to the good name and credit of Canada. The aggravating part of the business is that the expenditure was contrived and carried on, not by Canadians but by Englishmen. We have pointed this out before, and we shall not cease to revert to it again when the unprofitable nature of English investments in Canadian railways is the subject for discussion.

The Grand Trunk was promoted, engineered, financed, and constructed by English capitalists who, during the whole period of their operations, flouted every suggestion from Canadian sources, and insisted on a scale of expenditure for the new enterprise founded on the traffic and population of England. The original and irreparable error was here. But not content with this, the line was managed from the beginning in the same extravagant style that had marked its construction. Hence the continued deficits, the piling of one class of preference upon another, the raising of new capital at ruinous rates, the perpetual failure to satisfy the most moderate expectations of shareholders, which have marked the history of this unfortunate enterprise from the beginning, and which have given such a tone of acerbity and distrust to nine-tenths of all the references of English capitalists to Canadian enterprises for many years back.

The Great Western Railway, in its inception, construction, and subsequent history, was tainted with many of the faults that marked the Grand Trunk, the principal difference being that the Western was never made use of for political purposes to the same extent as its great rival. But it has overloaded its capital account almost as ruinously, and in one respect its policy has been even more disastrous, viz., in the construction and purchase of branch lines. If the road were now as it was some ten years ago there can be little doubt that it would be paying a good dividend. But its experience has been that of its English namesake and others ; the more it spread itself out the less it was able to return to those who were interested in it.

The Grand Trunk and the Great Western are now active competitors for the whole business of Canada west of Toronto, and the war between them has been sometimes fierce, and always embarrassing. Various endeavours have been made to bring about amalgamation, but from the tone of the late meeting in London such a consummation seems further off than ever. Amalgamation would undoubtedly suit the Grand Trunk, for it would give it the command of a portion of a great rival route, and enable it the better to hold an independent position amongst the avenues from the Western States to the seaboard. But it is doubtful if it would suit the Great Western. Amalgamation, in fact, would be simply absorption, so far as the lesser line was concerned; and the authorities of the line show no disposition thus to be swallowed up; preferring, under every difficulty, to fight their own battles and work out their own destiny in their own way. And they have reason to be hopeful. The traffic receipts for August and September are largely in excess of last year, while the working expenses have been so universally reduced that some are fearing it is done at the expense of efficiency. The chairman, however, disposes of this by showing that with all the reduction the expenses are still largely in excess of those on the leading lines of England, and expressed the opinion that greater reduction still may be brought about. The working expenses are 74 per cent., a figure which certainly indicates possible reduction. We doubt if it is for the public interest for these lines to be amalgamated. A virtual monopoly of Canadian local traffic would then be created, and certainly monopoly is to be deprecated. Reasonable traffic arrangements no one can object to, but we should be sorry to see such an enormous concentration of power in the hands of one company as complete fusion would afford.

DIVIDENDS.

The period of the year through which we are passing is always one of interest to bank stockholders. Almost every week we have announcements of the declaration of dividends, and as the rate has an immediate influence on the value of the property, we cannot wonder that such announcements are looked for with an almost feverish anxiety, especially in certain cases where a speculative element has largely entered into the value of the stock. We are inclined to think that a reluctance to disturb values had much to do with the declaration of seven per cent. for the half year by the Bank of Montreal. Up to the last moment, it had been expected, in the best informed circles, that the dividend would be reduced, it being well known that the net profits for the half-year were far lower than formerly. It was indeed said, and confidently believed, that the bank had not *earned* seven per cent., which is very likely to be true.

But sufficient importance was not given to two considerations. First, there is the extreme reluctance naturally entertained by a new management to allow the dividend to be reduced, which, of course, would cause questioning and unpleasant comparisons on the part of stockholders. Next, there is the hope of better profits in future half-years, which, if realized, would enable a dividend to be maintained at the same rate as formerly. These considerations in all probability prevailed with the directors of the Bank of Montreal, and doubtless they will prevail in other quarters also. At any rate there has been no reduction so far. The Dominion Bank and Molson's Bank have declared their usual four per cent., and the Bank of Toronto six. Many institutions reduced their dividends, wisely, as we think, last year, and no further reduction need be apprehended from them. The past half year has not been a good one for banking profits, owing to a low rate of interest here and in other countries, and to the diminished volume of exchange transactions occasioned by reduced imports. But if bad debts are kept within reasonable limits it is not difficult for established institutions, even in these times, to pay an eight per cent. dividend and make some addition to Rest.

The lessons of the past year as to banking credits will probably not be lost in the future. Boards of directors and managers have had some pretty severe experience during the last twelve months, and the lessons of experience generally make an impression. The lessons are old enough, in truth. They have all been recorded in able treatises long ago. But it is one thing for a person to read about a case in a book, and another to have an exact counterpart of it to deal with himself. The last is precisely the kind of teaching which our bankers have had for some time back, and though it is a very unpleasant process they generally come out of it all the better bankers. They are more cautious, more firm, more discriminating, and less bold to undertake what their better judgment tells them are risky transactions. There is therefore every reason for believing that if less money is made during the next few years the reduced amount of bad debts will more than make up for it. If this be so, the directors of banks will be able to declare their former dividends without difficulty, and perhaps, by-and-by, when reserves sufficient have been accumulated, to make a permanent addition to them.