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DEPOSITS RECEIVED
AND DEBENTURES
ISSUED**Government Regulation of Combines***Over-Capitalization is One Evil which Leads to Many Others*

BY FRED. W. FIELD.

WHAT will be the nature and extent of government regulation of combines in Canada? That such regulation will come is generally admitted and undoubtedly it will be designed to correct abuses where existing. In the United States, we are witnessing the effect of legislation levelled at industrial combines, after they have become in many cases so powerful as to block the Government in all its efforts. Therein we may learn a lesson, for nearly all the evils of industrial combination are created when the combine is given its charter. Probably the two most harmful tendencies of a trust, either with or without complete monopoly, are over-capitalization, and the power to raise unduly prices to the consumer. Consideration of these subjects is most important, for since January, 1909, there have been forty industrial amalgamations in Canada, involving a total authorized capitalization of almost \$230,000,000 and including many of the necessities of life, such as flour, bread, soap and ice.

The evil of over-capitalization has figured considerably in the Canadian mergers of the past few years. It has been encouraged by the lack of information given in the prospectus or elsewhere as to the price paid for the plant, goodwill and assets of the companies absorbed. Corporations in Canada may learn in the future, as United States companies are gaining knowledge to-day, that publicity is the best preventive against public agitation, unpleasant inquiries and socialistic tendencies. If Canada would admit that fact now, much trouble would be obviated. If the investor, big and small, is told in the prospectus what was paid for the companies taken over by the combine, what the plant and assets comprised, how the value of the good-will purchased was arrived at, how the companies absorbed were paid (that is, in common or preferred stock, bonds or cash), on what basis the new company or amalgamation was capitalized, and so on, the investor would know on exactly what foundation the industrial combine was constructed. This frank publicity would give him confidence in the undertaking, and would tend to curb extravagant capitalization. The result would be the free offering of the investor's money to the enterprise and a natural check to the innumerable stories of enormous profits made by merger promoters and their colleagues, many of which stories are born in a misconception of the facts. Government regulation of industrial combines, then, should require the publication prior to and after incorporation, of the facts.

A Matter to be Watched.

If our industrial amalgamation begins business with a reasonable capitalization and has in view the many good objects and advantages to be gained by consolidation, there will not exist the difficulty of making dividends on watered stock. If dividends have not to be paid on excessive capitalization, there will be little need to enhance unduly the price to the consumer. This is a matter, therefore, that needs to be watched before the combine is granted a charter. Whether that should be left to the Secretary of State's Department or to a specially appointed Commission, is a matter of opinion.

In England, from whence every country in the world draws much of its capital, the fullest measure of publicity in corporation matters has been enforced. The result has been satisfactory both to capital and to the public. The law there has practically left the trusts to take care of themselves and to be moulded by the changing economic conditions, but more and more legislation is guarding closely the incorporation particularly, and the supervision of corporations generally.

President Taft the other week at

Waterloo, Iowa, referring to the United States Supreme Court's trust decisions, said: "The court declines to hold that competition is impossible under modern business conditions, but it insists that it must be given full opportunity for operation, and that any combined effort affecting interstate trade looking to its suppression, is contrary to law. In other words, business must face the necessity of throwing away the crutch of combination against competition in its further progress."

Despite that assertion, the fact remains that business under modern conditions has been found impossible by many companies, and they have had to utilize the crutch of combination. Many of the big trusts in the United States are being dissolved either voluntarily or by order of the courts. The Standard Oil Company, for instance, is cutting itself into thirty-four parts, but it is doubtful whether the thirty-four companies under the new conditions will exert less power than did the one Standard Oil Company under the old.

One has to revert to the time when the original charter was granted. Then was the proper moment to regulate matters without disturbance to general business conditions, as we see in the United States to-day, as a result of the Taft policy of trust breaking. Trusts in England are held to be illegal only where competition is shown to have been wholly removed or prices raised excessively. This apparently is the spirit of the Investigation of Combines Act of Canada. Time will show whether the spirit of this law can be carried out in the letter.

European Trade Laws.

Under the French law, combinations of the principal producers in any line with a view of controlling prices, are illegal. The law has not been rigorously enforced in recent years, and such combinations are numerous; but in their control of prices, they are far less successful than the American trusts. The law of Austria declares agreements designed to create a monopoly void.

The German law recognizes the validity of cartel agreements, even if such agreements result in power to control prices. If, however, the prices fixed are unreasonable, the combination is subject to an action for extortion. Every incorporated company (in Germany) which operates independently, or as a member of a syndicate, is, from the moment of its organization, under the control of the law of corporations, a statute which reaches to every detail of corporate organization and management; compels the periodical publication of statements showing the exact condition of the company's affairs; makes its books and assets subject to official inspection at all times, and holds directors and officers rigidly responsible for every breach of trust.

A statute entitled "The Australian Industries Preservation Act, 1906," has been enacted by the Commonwealth of Australia to secure at once the repression of monopolies and the prevention of dumping. The statute, as its title suggests, does not attempt the suppression of all trusts and combinations, but is aimed only at those which are to be "detriment of the public."

It would seem that the present Canadian legislation is sufficient to cope with the possible evils of monopoly and the undue enhancement of prices. Where Canada may well imitate other countries is in the matter of full publicity prior to the granting of charters and after, to financing operations and accounts. This, as explained, is not solely in the interests of the public. It is, in reality, in the best interests of the corporations themselves. Some of the biggest combines have their home in Great Britain. The Coats thread concern, of Paisley, formed

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