



# REFLECTIONS

BY STAFF WRITERS

**A** PAPER on Public Ownership, read before the recent meeting of the Union of Canadian Municipalities, contains the following unique sentences:

## EXTREME VIEWS ON P. O.

"Private ownership of utilities is largely, if not entirely, responsible for the existing corruption in public life; public ownership would tend to the purification of politics and the elimination of graft."

Everyone interested in the purity of public life must necessarily be made to pause by such a statement. If it be true, then we should advocate public ownership. This may be advisable even if we are not theoretically certain as to the wisdom of preferring public operation to private operation. The decision rests upon the truth of the statement made by the representative of the Public Ownership League who read the paper.

The greatest talk about graft is coming just now from the Ottawa Opposition. And whence their charges? Do they not wholly concern the administration of public property along public ownership lines? They involve the public ownership of the Intercolonial Railway, the marine fleet, and the crown domain. Has any person arisen to say that any part of the corruption and graft—if there are any—is due to any other cause than bad administration of public trusts? Very little if any is charged to private corporations—nothing more than a vague insinuation that, like private individuals, they sometimes contribute to campaign funds. When we investigate further and enquire into municipal administration, are there any cases where it has been proved that any corporation or private owner of a public utility has corrupted a city? Is there any evidence, for example, that any street railway corporation in any city in Canada attempts to control or corrupt the city council?

The truth is that the question between public and private ownership has little to do with corruption or graft, which is a question of men and morals, rather than of systems. There is little corruption or graft in Canada because public opinion holds most men to correct principles; there is more in the United States because public opinion does not prescribe so high a standard, especially in state and municipal government. Such a statement as that sent out by the P. O. League and quoted above, is a libel on the country and at the same time wonderfully absurd.

Public ownership, without public operation, has done fairly well in Canada. For example, the Montreal Street Railway Co., during the year ending September 30th, 1907, has paid percentages to the city amounting to \$214,840. The Toronto Street Railway will pay the municipality nearly double that amount this year. On the other hand, public ownership, with public operation, has worked badly sometimes, as in the case of the Intercolonial; it has worked fairly well in other cases, for example, the successful operation of the waterworks system in Toronto and other cities.

Public ownership and operation in some United States cities has worked ill, resulting in corruption, graft and inadequate service. For example, previous to 1897, Philadelphia had a municipal gas-plant which was run at a loss and which bred the "gas ring." In that year it was turned over to a company, which has since improved the quality of the gas, and gives percentages, street lighting and other benefits to the city estimated

to be worth about two million dollars annually. This is a case where private ownership lessened corruption, abolished graft, and gave improved service and better financial results.

The evidence varies from city to city, from country to country, but it is quite evident that neither public ownership nor private ownership is responsible for corruption and graft. According to the power and force of public opinion, corruption is present or absent.

**C**OMMUNITIES must learn lessons as well as individuals, and some rather striking truths are being pressed upon the public of to-day. The first of these is that people who do business on borrowed capital and

## LESSONS OF TO-DAY

credit must suffer inconvenience at times when the lender ceases to lend and credits are hard to obtain. Bankers and capitalists find that they have over-lent and that the new money they have to put out is taken up greedily at unusually high rates. Those who extend credits have got nervous and are limiting their transactions. In such a situation, there must be retrenchment by business men who are in the habit of utilizing loans and credits. Those who have been building factories and warehouses and railways have ceased their building for a time—they cannot get more loans or credits. Those who are buying and selling vast quantities of merchandise, raw material and foodstuffs are limiting their purchases and their sales, because they find it is difficult to discount their paper and to draw against their shipments. The speculators in stocks and real estate find few purchasers and many sellers, hence the price of speculative stocks and real-estate has been tumbling and crumbling. This in turn hits the speculator because he always works on borrowed capital.

The next lesson is that prices of stock certificates may be high or low without any appreciable effect on their dividend paying power. It is only when dividends are cut that the stockholder is affected. Since the first of the year American listed stocks have declined about three billion dollars, but this really means nothing. If dividends remain the same, the public's income is not affected. It does not matter whether C.P.R. stock is at 100 or 200, if the dividend remains unchanged. On the other hand when the directors of Amalgamated Copper cut down their dividend from eight to four per cent., they cut down the distributed earnings from twelve to six millions of dollars. That was a real loss. The stockholders will have only six million a year to spend instead of twelve. When the Detroit United passed its dividend there was another real loss. It is only when dividends are passed or reduced, however, that there is anxiety. Canadians who hold good Canadian stocks can afford to forget that there is such a place as the stock market. So long as the dividend cheques come along regularly the community will suffer very little by the temporary slump in quotations.

As dividends have been reduced only in a few cases, and as the limiting of credit will eliminate speculation, the situation is not without hope. Confidence will return when the lessons are well learned and when the weak spots in our economic fabric have all been carefully examined. Progress and expansion are not yet relegated to history and this temporary fit of blues will soon