

Government persists in paying large sums for education, roads, bridges, &c., from the Provincial revenue, instead of allowing the people, as in Ontario, to pay part of it at least by direct taxation. It is because Ontario raises so much by direct taxation that she has so handsome a surplus, and if our eastern friends would follow her example, they would have quite as large a surplus proportionately. There would then be no cause for demanding "better terms," which cannot be granted without injustice to the other Provinces, and opening the door for the grossest financial abuses.

In speaking thus we refer, of course, to the general claim for "better terms." There may be some minor matters which, on examination, may be seen to be unfair, and ought to be redressed. We believe every one will be glad to see any trifling matters of that kind disposed of, but if every session the financial basis of Confederation is to be assailed, it requires no prophet to predict what the ultimate result will be.

FINANCIAL FALLACIES.

There is no more common or unmistakable indication of an unduly speculative tendency in the community than to see prevalent the delusive notion that wealth may be acquired at one stroke and in a brief period—that the old-fashioned, plodding ways of making money are no longer necessary to that end. When the spirit of speculation is once abroad, and the fancy for only sudden acquisitions has seized upon the popular imagination, there are always those who, possessed, perhaps, of the prevailing mania, or acting on the basis of cooler calculations, are ready to profit by the opportunity for floating schemes, or effecting transactions which at other times would not be entertained or countenanced. Anglers say that when a fish is really in biting humor, the bait used is not a matter of great consequence—he will bite anyway. The record of stock operations in Great Britain proves how applicable is the remark to the investing public. Once invite the belief that money is to be made by a certain class of investments, and there is a general rush in that direction, and an unseemly scramble for all that is offered, good, bad and indifferent, without the exercise of intelligent discrimination. It appears, also, from the record to which we have just appealed how much to be deplored in many such cases were the losses, disappointments and unhappiness that followed. It is only in time of general prosperity that such a state of things can exist; and we, in Canada, are now passing through a season of great prosperity. It would not be singular, then, if

speculative schemes should be projected and successfully floated amongst us.

A feature has been developed in the conduct of some of our financial institutions, notably building societies, which when examined proves to be outside the limits of legitimate business; and which as exemplified in a case, just brought to our knowledge, cannot result satisfactorily for a numerous class of persons interested. That feature consists in taking advantage of the general favor with which stock investments meet, to make money out of the public by sales of stock at a premium, when that premium is based, as it often is, upon merely speculative estimates of value. The true character of this financial device is not generally understood; on the contrary, it is very much misapprehended.

According to our notions of finance, the object aimed at in the organization of a bank or building society, is not to make money out of its stockholders, but for them, to render the customers of the institution certain services from which profits may be realized. It is only in this way that money may be legitimately made. Accumulating profits in this way is, however, much too tedious an operation for some, and accordingly the attempt is made to over-leap delays and reach the goal at a bound.

An instructive illustration of this is afforded by the following statement issued by the Secretary of the Ontario Savings and Investment Company, organized in London, Ont., about a year ago:—

Comparative Statement of Progress of Society.

Date.	Subscribed Capital.	Paid-up Capital.	Sav. Bank Depos.	Inv. Real Estate.	Reserve Fund.	Premature
Jan. 187.	\$250,000	\$25,021	\$145	\$8,403	\$342	5
April,	270,000	46,750	11,512	65,180	342	7
July,	312,300	77,947	26,140	112,864	2,837	7
October,	332,150	91,700	45,023	158,280	4,409	8
Jan. 1872,	500,000	124,831	64,580	204,221	24,206	14
Feb. 22 "	636,950	155,088	100,883	248,821	44,842	17

The total repayments on loans made by the society up to the end of last year were \$14,506, so that whatever legitimate profit may have been realized must be very small indeed. Nevertheless a clear, reserved profit of no less a sum than \$44,842 was accumulated according to the above statement, in the space of fourteen months. In the last fifty-two days the addition to the reserve was \$20,546. Such an accomplishment, if it is legitimate and real, for a young, local institution must be designated as a triumph in finance. This is making money at the rate of, say, one hundred and twenty-five thousand dollars a year. Should the monthly profits continue to increase as they seem to have done last year according to the Secretary's showing they will immensely exceed that sum. What fortunate

fellows are those subscribers to the last issue of \$137,000 at 17 per cent. premium? If nothing interrupts this enviable "progress," the stock should soon be worth two hundred premium. To effect this object, is only necessary to continue the issue of new stock, advancing the rate of premium with each successive issue, and adding the profits or premiums to the reserve fund. Nay, we cannot see why the price cannot be advanced to five hundred; it only requires an extension of the same principle by which the existing reserve has been obtained. If the plan is sound and safe in the one case, it surely is in the other.

We think enough has been said to raise some doubts even in the minds of the most sanguine as to the soundness of such financial operations. This money has not been earned at all; placing it to the account of reserve is much the same operation in principle as transferring money from one pocket to another; the Society has received these premiums, and no value whatever has been given in return. True, the original shareholders would be benefitted by each new issue, but solely at the expense of fellow-shareholders. The new subscribers cannot surely be aware that they are paying 17 per cent. premium for an interest in a reserve which after all amounts to but 7 per cent. of the subscribed capital. If the "profits" were legitimately earned, the stock would even then be worth only 107. A statement in the directors' report that the reserve is equal to 20 per cent. of the paid-up capital, if not deliberately intended to mislead, is extremely well calculated to effect that object. They should at once cease to circulate such a statement. It would not be unfair to ascribe to its influence the apparent avidity with which the stock was taken at figures always above its utmost possible value.

We cannot conclude without noticing another point which is of vital moment to the shareholders of the Society in question, and those also of every other of similar mushroom growth; that is in reference to the very large capital which has been so suddenly raised—\$637,000. Can these directors explain why it is that such a society as the Western Canada or the Freehold has only been able to employ a capital less in amount than that of their institution during all the years that these have carried on business with most elaborate machinery in full operation, if they can accomplish the same thing in a year or two? And why is it that these societies have only succeeded after many years' work in building up a reserve not twice as large as that claimed by the London directors for their Society after a single years' operations? Truly, there must be a direct road to wealth!