

# The Commercial

WINNIPEG, NOVEMBER 6, 1883.

## THE NEW C.P.R. GUARANTEE.

The ears of operators on the different stock markets on this continent and Europe are no doubt well pricked up at present in anticipation of startling news regarding the new bargain between the Dominion Government and the C.P.R. Company, by which a three per cent. government guarantee of the bonds of the latter is secured. If, however, the statements of the *Ottawa Citizen*, a not unfrequently inspired organ, are to be credited, the whole arrangement is a very simple one, and places the railway company much in the position of a retiring tradesman making provision for a steady income in his old age, with a fixed time for the termination of said income. The Company are to pay to the Government \$24,000,000, for which the latter bind themselves to pay on the \$100,000,000 stock of the Company three per cent. per annum in half yearly payments. This huge inverted insurance contract, by which the premium is paid in a lump, and the benefits in instalments extending over ten years, is certainly a novelty in the line of railway bond manipulation. To steady the stock of the C.P.R. and prevent it being tossed up and down by bulls and bears in the New York market is the aim of the company in making the arrangement, so the *Citizen* says, but it is very questionable if it will be very powerful in producing the desired result. The bonds of the first trans-continental railway constructed through the United States, the Union and Central Pacific were guaranteed by the United States Government, and yet their stocks were at times little better than footballs for the manipulators of Wall street. Altogether it is difficult to see what great benefits the Company will secure in the direction suggested by the *Citizen*, and few people will be satisfied that there is nothing more behind the bargain.

The effect of such a bargain in political circles will be to strengthen the opposition to the present Government on the part of those who dislike a paternal Government policy towards railways, and believe that they should be the undertakings of private corporations and private capital. But as neither of the two great po-

litical parties of the Dominion have avowed such a policy, this opposition, although strengthened will remain as disorganized as ever, and consequently harmless still to Sir John and his colleagues. Both political parties have aimed at the construction of the C.P.R., and have differed merely upon matters of detail. It is not likely that the Dominion Government will make the same mistake as the United States, when they guaranteed the Union Pacific bonds, and discovered afterwards that they had made no provision for compelling the Company to refund the money thus paid out by the Government. The fact that the payments of the Dominion Government are to be made from funds supplied by the C.P.R. Company would indicate that special precaution has been taken upon that head. So far the Government is safe in a pecuniary way by the terms of the bargain as stated by the *Citizen*.

After discarding the stock steadying argument of the *Citizen* it is necessary to look for some other motive that would prompt the C.P.R. Company to enter into such a bargain, and we believe this is not difficult to find. While the work of constructing the Company's main line could be pushed with unparalleled rapidity across the level prairie land of the North west, it was a matter of no difficulty to keep up a feeling of interest in the great undertaking sufficient to make the company's bonds buoyant in distant money markets. That period of exceptionally rapid construction is over, and the slow work of constructing through mountain passes as yet but imperfectly surveyed, and around the rock bound northern coast of Lake Superior has commenced and will drag along for a few years no doubt. It will be through this period of unexciting plodding that the support of the Dominion Government will be most needed, and the Company display commendable wisdom in securing the same, even by paying in advance for it, at this early point in the period of slow construction.

There will no doubt be many who will object to the Government entering into such a bargain; but it will be found that the objections of such will in most cases be based upon opposition to the whole railway policy of Sir John and his associates, and the new arrangement will only furnish for such objectors a new direction to kick in. Looking at it from a dollar and cent point of view the Domin-

ion Government have nothing to lose while much may be gained by it; and as the C.P.R. Company have to pay in advance for any benefits they may secure, it is only fair play to allow the privileges granted by the showman of "you pay your money and take your choice."

## EXPANSION AND ABUSE OF CREDIT.

The recent bank and commercial troubles that have caused so much uneasiness throughout the Eastern Provinces has shown that there has in many cases been a reckless abuse of the credit system. Trade has expanded very rapidly during the past four years as shown by the bank statements. Nine banks in the province of Ontario have discounts amounting to \$55,034,218 against \$34,970,272 in 1879 while the deposit item has increased from \$22,790,383 to \$42,704,649, the circulation from \$5,366,799 to \$10,906,912. Meanwhile the capital increased only \$2,200,000. In the province of Quebec the discounts of fifteen banks have grown from \$60,610,026 to \$70,620,201; deposits \$42,699,627 to \$54,648,951, circulation \$9,140,127 to \$17,269,185. At the same time there has not been any increase of capital. Banks have gone on increasing their business very rapidly with out strengthening capital. Men engaged in mercantile and manufacturing industries were able to obtain accommodation from the banks without difficulty and rushed into business more extensively than ever. In many cases the capacity has been more than doubled and now there is heard on all sides the cry of overproductions with no great body of consumers on hand on whom to force the surplus.

Among those interests that have been overstimulated to the greatest degree has been the cotton manufacture; recent developments in which well nigh precipitated a crisis in Montreal. Had credit not been so easily secured men in business would not have sought so recklessly after it. They would have kept within moderate bounds and many of the embarrassments of to-day would not have occurred. The maxim in many cases seems to have been "in for a penny in for a pound," and it is useless for anyone to attempt to estimate the fault of people who obviously act upon it. It is better to fail for \$100 than for \$1,000,000. The insolvent, of course, might not be so much thought of by his neighbors, but he would feel vastly more respectable himself on