

BUILDING SOCIETIES.

Mr. E. Arthur Scratchley's new text-book on Building Society finance opens in the minor key. In his second paragraph Mr. Scratchley states that "the multitudinous questions of a mixed legal and actuarial character arising in connection with Building Societies are ever increasing in number"—a fact which he attributes in part to the extreme complexity of the statutes, but much more to the obscure phraseology or badly-drawn rules—and that "many a society, sound and prosperous enough if left unmolested, has been injuriously affected, if not absolutely ruined, through the united claims for immediate payment by timid investors and depositors, to which a barrier might have been presented by properly constructed rules." A little further on, in a section entitled Provision for Losses, we are told that "the adverse influences to which building societies have of late years have subjected, have conducted, if not to destroy, at any rate to throw into difficulties, a very large number of most excellent institutions," and that "it is the mischievous practice of many societies to disregard the fact of losses having been incurred instead of confronting them at once," while the section concludes with a solemn warning to directors against the investment of their funds in unauthorized securities. Notwithstanding this harrowing picture—which was designed perhaps to show the necessity for a new text-book rather than to convey an unfavorable impression as to the present state of affairs—we are of opinion that the conditions of building society finance have changed for the better within the last few years, and the general tone of Mr. Scratchley's work, if the gloomy exordium is left out of account, tends to confirm this view.

The adverse influences which have been at work have served to exhibit more effectively the strength of the ready strong institutions and to demonstrate the necessity for building up substantial reserves, and if a few societies that might under more favorable conditions have held their ground and done useful work have gone down in the storm, the air has been cleared and the business as a whole has gained. The main object of recent legislation has been to secure publicity, and publicity has never yet been productive of anything but good to financial institutions that deserve public support. But apart from the effects of "runs" and legislative change, building society business has, we think, stood to gain rather than to lose by the fall in the value of money. "The aim and object of all well-constituted building societies is," as Mr. Scratchley points out, "to afford every reasonable facility to persons wishing to become borrowing members," and the cheapness of money, taken in conjunction with the increased confidence that publicity gives to the larger investors and depositors, ought to enable the societies to compete more successfully with the landlords. They can borrow more cheaply, and therefore they can lend at a lower rate of interest—4½ per cent. Mr. Scratchley states, "is becoming settled as the standard in most districts," whereas "it used to be by no means uncommon for borrowing members to be mulcted to the extent of 7 or 8 per cent."—and hence they can offer a more attractive alternative than in former times to the payment of rent, for house rents, according to our experience, have not declined to anything like this extent. In its essential features building society finance is of a very simple character. The members of a society consist of investors and borrowers—the former holding "unadvanced shares," under which an endowment-certain is secured by single or annual payments, and the latter taking loans, repayable by instalments, under the title of "advanced shares"—the money contributed by the former (together with deposits by non-members) provides the funds for lending to the latter, and both classes of mem-

bers now-a-days participate in profits. And except for an occasional special contract, such as a paid-up share (carrying interest) or a loan repayable in one sum at the end of a fixed period, modern practice does not go far beyond the elementary system.

There are, however, a number of practical points to be dealt with, such as the necessary margin (to cover expenses and contingencies) between the rate of interest charged to borrowers and the rate paid to investors, the terms of redemption and withdrawals, and the order of priority in the event of the liquid assets at any given time being insufficient to pay off the members desiring to withdraw—and all these, together with the requirements of the Act of 1894, appear to be fully covered by Mr. Scratchley's Model Rules. Mr. Scratchley adopts 4½ per cent. as the rate of interest to be paid by borrowing members, and 3½ per cent. as the rate to be allowed to investing members, and on this basis he gives valuation and withdrawal tables (proceeding by months) for unadvanced shares maturing in five, ten, or fourteen years, and valuation and redemption tables for advanced shares repayable over the same periods. The work will, no doubt, be most useful to Building Society officials, and it will convey to the general reader a very good idea of the problems of building society finance.—Insurance Record, London.

AMERICAN BELL TELEPHONE COMPANY.

We had not an opportunity at the time of its first appearance to notice adequately the remarkable figures of the report for 1897, of the Bell Telephone Company of the United States. It is, as an exchange says, a record of increasing business and exceptionally large gains in the earnings of the corporation. "In fact, the increase in the number of stations and telephones for the year was unprecedented, a fact which points to the influence of increased business activity upon the use of the telephone as an adjunct to commerce and to the equally marked effects of renewed prosperity throughout the land upon its employment as a social and domestic necessity."

According to the report the number of instruments under rental on December 20th, last year, was 919,121, compared with 772,627 the year before, an increase of 146,494 telephones. The number of exchanges in operation at the beginning of the present year is given as 1,025, compared with 967 exchanges at the beginning of 1897, an increase of 58, while the branch offices now number 937, an increase of a hundred.

The earnings of the company, derived from rentals of telephones and dividends upon the stocks of the operating company principally, tell a similar story. The aggregate gross receipts of the American Bell Telephone Company for 1897 were \$5,130,844, an increase of \$803,520. To this sum rentals of instruments under the plan adopted by the corporation of leasing all telephones contributed \$1,597,959, an increase of \$359,581, and the dividends paid on the stocks of subsidiary companies owned by it, reached a total of \$3,085,379, nearly half a million more than the receipts from that source in the previous year.

The expense for the year, which item included interest upon the \$2,000,000 of debenture bonds, taxes and other items, amounted to \$961,170, or about \$17,425 more than in the preceding year, leaving net earnings of \$4,169,674, an increase for the year of \$776,093. The capital stock of the company was increased during 1897 by the issue and sale of \$2,236,340 in shares, making the amount outstanding at the end of the year \$25,886,300. The regular dividends of 12 per cent. per annum and 3 per cent. extra were paid on the stock, making the total on that account \$3,682,948, an increase of \$412,387;

\$47,000 was charged off for depreciation and other items, and as a result of the year's operations \$439,500 was carried to the company's surplus account, which now amounts to \$2,500,000.

Much of the report is devoted to details concerning the extension of the Long Distance Telephone Company's lines, which now reach Minneapolis and Omaha on the north and west, and to Petersburg and Norfolk (Virginia) to the south. The total mileage of pole lines operated in that connection is 8,778 miles, with over 116,000 miles of wire, connecting 238 offices, or 55 more of the latter than at the close of 1896. The amount of new construction completed in 1897 by all the companies having relations with the American Bell Telephone resulted in an outlay of no less than \$8,700,000, while the entire expenditure for construction at the close of last year reached the large total of \$97,946,000. Included in this latter sum was over \$13,800,000 on account of the Long Distance Telephone Company, which organization it is stated, increased its gross earnings during the year by 16 per cent. or some \$1,879,000. Such figures show, says "Bradstreets," the enormous proportion which the telephone industry in the United States has attained, as well as of the prosperity of the corporation that enjoys a practical monopoly of the business.

FOR ORIENTAL TRADE.

Apparently the Americans are now more than ever bent upon making the Orient the theatre of great commercial achievements. With a view to improving the trade already existing between their country and China and Japan, the Americans have just established a society called the American, China and Japan Association. The objects are: (1) To foster and safeguard the commercial interests of the citizens of the United States and others concerned therewith, in the empires of China and Japan; (2) to secure the advantages of sustained watchfulness and ready action which will accrue from united and permanent organization; (3) to provide for convenient ascertainment and distribution of information affecting the interests of its members; (4) and generally to promote a larger trade with the Asiatic continent.—Victoria Times.

—It is stated on reliable authority says The Iron Age, that during the past six months the net earnings of the Westinghouse Electric & Manufacturing Company of Pittsburg over all charges have been between \$400,000 and \$450,000. This is nearly at the rate of 6 per cent per annum on both the \$4,000,000 preferred and \$11,000,000 assenting stock. There has been a noteworthy increase in the business of the company during the past two months and the large plant at East Pittsburg, which has no superior, if any equal, in the country, is running with a full complement of hands.

—The railway committee has passed the bill to incorporate the Lake Champlain and St. Lawrence Ship Canal Company, which proposes to build a canal from Montreal across to Lake Champlain over the route which has been endorsed by the deep-water-ways commissioners. The capitalization of the company is set down at \$6,000,000, and the government is given power to take over the undertaking at any time on giving thirty days' notice.

—A Neepawa correspondent tells The Winnipeg Free Press that there is an opening in that town for a steam laundry. Some of the citizens send their linen to Toronto, 1,200 miles distant.

—What will the American Fourth of July orators do for material this year, when the twisting of the lion's tail has gone out of fashion and the entwining of the British and American flags has for the time become fashionable?