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THE MONETARY TIMES, AND TRADE REVIEW.

TORONTO, CAN., FRIDAY AUG. 3, 1877

RAILWAY PROPERTY, MANAGEMENT AND STRIKES.

The majority of the railways in the United States are, at this moment, in a bankrupt condition. Two-thirds of the stock, exclusive of the Pacific railways, is paying no dividend. Out of \$2,157,000,000 stock, only \$707,987,372 is earning anything; and the average dividend paid is only two per cent. Besides, there are \$800,000,000 bonds on which the interest is unpaid. The magnitude of these figures is so great that the mind cannot easily form a clear conception of the amounts. Let us say, then, that the bonded debt on which no interest is paid is about equal to one-fifth of the national debt of England, or about forty per cent. of the national debt which the great civil war imposed upon the United States. The railway stock which is earning no dividend is nearly equal in amount to three-fourths the cost of the civil war as represented by the debt it left behind. The loss on both items, stock and bonds, is fifteen per cent. more than the amount of the war debt on the final conquest of the South.

The waste of such enormous amounts of capital helps to explain the disastrous commercial position of the States to-day. To the capitalists who embarked in these unproductive railway ventures, the loss is at present the same as if the money had been thrown into the sea. There may of course be some recovery; but it is to be feared that the greater part of the capital now unproductive is lost forever; that it will never pay dividends, even should bondholders get their own. Much stock has already been wiped out by foreclosures, and much more must suffer a like fate.

How was this deplorable state of things brought about? The answer is that railway construction has been greatly overdone; and that, as there is not nearly work enough for the great trunk lines, a policy of ruinous competition has long been in progress. It is a war of extermination that is being waged, in which the longest purses hope to win; and when the consummation is reached perhaps the successful competitors in anticipation dream of enriching themselves by monopoly profits. Passenger traffic was exceptionally good, last year, but competition rates destroy living profits. The capital employed in building useless railways is inevitably lost. Whenever there are employed two capitals to do the work that one could do, the profits of both must be annihilated. It is useless to say the roads should not be run at ruinous rates. The ruin is inherent in the misapplication of the capital. There is only one dividend to be earned, and there are two capitals to compete for it. Two roads require two sets of apparatus, with double expenses, and profits disappear in the necessary outlay. The expenses may be cut down to the lowest point, as in fact they have been. In fuel, waste, wages, great economies have been effected; but still there are no dividends, still bondholders are without their interest.

The reduction of wages, several times repeated, brought about strikes on a scale such as has never before been seen. When stockholders for the most part get nothing, and forty per cent. of the bondholders are deprived of their stipulated interest, wages must fall to the lowest point at which men can be induced to work. In many cases, it is a choice between low wages and none at all between the employees being content to take the earnings of the property and the closing of the roads. The latter must happen wherever the men are not willing to work for what a road earns besides providing for repairs and renewals. But the proprietors would have no inducement to go on, under such unfavorable conditions, if the gloom of the present were not enlivened by some gleams of hope for the future.

The question of wages is not to be settled by a comparison of present rates with those which were paid in 1860. It is not even a question of the comparative cost of living, on a given scale, now and then. The condition of the railways, at the two dates, would also have to be taken into account. The companies, as we have said, are reduced to the necessity of paying the lowest rates for which men can be induced to work. If the companies be vastly worse off than in 1860, the men may be obliged to accept lower wages, to put up with a remuneration which gives them a less command over the neces-

saries of existence. The companies command no magic power by which they can increase the wage-fund at will. If the employees understood the whole matter fully, they would in many cases have refrained from striking when they were asked to submit to a reduction of ten per cent. on their previous remuneration.

The waste of capital on useless railways is at the bottom of the mischief. That waste, almost criminal in any case, was the less excusable when the projectors had before the example of like effects following like causes in other countries, by which to profit. There was a time when England had to lament that she had thrown away £350,000,000 stg. on useless railways. That loss should have been a lesson to other countries. But it was not heeded by the United States; it was not heeded by Canada. Our own railways are earning no more than enough, one with another, than to pay 4.67 per cent. on the bonded debt, and nothing on the share capital or the Government and municipal advances. We have had warning, in the case of the Grand Trunk, last winter, and in the case of the Canada Southern, recently, that what has just happened in the United States, in connection with the strike, may any day occur here.

Are we to take no warning from these events? Are we to continue to lavish treasure on useless railways and to mortgage the future to attain the supreme object of having two railways to do the work of one? The origin of the whole mischief is the projection and promotion of railways not required to meet the wants of the country. If individuals become impoverished by throwing capital into unproductive enterprises, it is a fallacy to suppose that communities can be enriched by a like destruction of capital. Indirect advantages there may be, and these may be worth all that is paid for them; but this can never be the case with unnecessary railways. The construction of every such railway implies the absolute destruction of all the capital employed upon it.

The insurrection of labour, which has not yet altogether ceased, in the United States, presents possibilities of social complication which had been thought impossible in that country. But the conditions of existence in the Republic are changed. The laborer of to-day has, unfortunately, less chance than formerly of becoming a capitalist to-morrow. In the panic of fear, some call for a large standing army, others suggest a change in the form of Government. As was inevitable, the militia sometimes sympathized with the rioters; but wherever resolution was shown by the proper officials, the rioters were soon overmastered. A large standing army would increase the public burthens and