

use of such note; for, on the same principles, a dividend might be paid on the entire subscribed capital. The maker of one of these notes says in effect, "I agree to become responsible to pay any losses that may occur to you to the extent of, say, \$10,000, if at the time I shall be able; in the meantime, you pay me a dividend on my promise, as if I had actually paid you the money. If you don't lose, and never require the money, it is all profit to me; if you do lose, and I am able to pay you, you can discount my note; if not, the loss must be yours." It is not necessary to ask whether that is a sound basis for a life insurance company's operations.

The second point in the President's remarks must not be passed over. He expresses the belief that the position of life policy-holders is much better in sharing all the risks of the Company—fire, life, accident and guarantee—and having the security of all its funds, than if the life department was kept separate, and a portion of the capital appropriated thereto. We are astonished that a business man of Sir Hugh Allan's repute should take such a position, and that Mr. Edwin Atwater should endorse it. There is not one among all the thousands of insurance companies in the United States that is so organized, and none in England except possibly a few of the very oldest companies. The principle of exposing life assurance policies to all the risks of fire insurance, is utterly discarded as unsound and dangerous; and the reason doubtless is, that no considerable number of assurers could any longer be found so reckless as to trust the future support of their families and dependants to all the contingencies of disastrous conflagrations. How great is this danger may be made apparent by a single case in point. At the recent fire in the "Iron Block," Toronto, this same Citizen's Company had risks on the burned property to the amount of \$19,000, or nearly twice the amount of its actually paid-up cash capital! As the Company's affairs are arranged, the shareholders get the entire profits in the Fire, Guarantee and Accident departments, and one fourth of the life profits. The life policy-holders position therefore is, that while he contributes to the expenses and losses of the other departments, and is liable for every dollar of them, he can in no case claim any share in the profits of the other classes of business, and but three-fourths of those arising in the life department. There will scarcely be found many insurers to put their feet in such a trap.

We know not whether there is a Manager or Secretary responsible for the organization, and working of this company. Two

or three officials with various titles occasionally figure in print. Of one thing we are certain, that no manager of any experience or scientific knowledge of the business is the author of such a scheme, and such statements as we have noticed.

It is our duty to add that the Citizens with its \$10,000 of paid up capital, and with Sir Hugh Allan at its head, is transacting Fire, Life, Guarantee and Accident business, any two of which are supposed to be enough for any ordinary company, all over the Provinces of Ontario and Quebec, without having a dollar deposited with the Receiver General; without giving the public any clear statement of its financial position, in fact, without anything to cause any person who understands the alphabet of insurance to hesitate in designating it "an Insurance Bubble" of a most dangerous kind. Our Insurance laws require to be so amended as to check the career of such kiteing companies in time to save the public from the effects of that disastrous downfall to which so flagrant a disregard of first principles and of sound rules must inevitably lead.

#### THE RAILWAY POLICY OF ONTARIO.

Up to a certain point, the railway policy of the present government of Ontario is controlled by the action of its predecessor. Railway companies have incurred large obligations on the faith of an act of parliament, that they would be entitled to receive a certain amount from the public treasury. This is the extent of the obligation under which the government finds itself. Any promises made by the late government to extend aid to companies must rest on the railway aid act. But it is alleged that the million and a half set apart for this purpose proves insufficient to meet all reasonable expectations. This is a contingency which was undoubtedly liable to happen; for the extent of construction might be greater than the railway aid fund would cover. In that case there must either be disappointment somewhere, and a more or less arbitrary selection of objects of favour, or the amount of the fund would have to be increased. Against the latter alternative, which is that taken by the government, there is much less ground for objection than there would have been against the opposite course. Indeed we think there is full justification for the increase of the railway fund by \$400,000.

The other part of the new railway policy—the annual payment of \$100,000 to railway companies, for a period of twenty years—appears in a much less favourable light. We lay it down as an axiom, applicable to all circumstances, that the future revenue

of a country should never be mortgaged without clear necessity. The revenue we raise is ours; that of the future belongs to the future. There are innumerable cases in which it is necessary to impose charges on the revenue of the country, but this is not one of them. Ontario has an overflowing treasury; she has a large surplus revenue, which she must either entrust to banks, at a low rate of interest, or temporarily invest in some permanent form of securities. On the portion remaining in the banks, she will get less interest than the railroad companies will have to pay; and the difference will represent a loss, which, being unnecessary, is an unjustifiable waste of resources. The securities in which the other portion has been invested recently underwent a decline of five per cent, in two weeks, and they are liable to greater fluctuations.

Long before twenty years have passed the annual charges on the revenue,—many of which will become fixed and incapable of reduction as those for growing charities, instanced by Mr. Mackenzie, in his budget speech—will have greatly increased. A corresponding increase in the revenue need not be expected; dependant as it is, unless direct taxation be resorted to, on an increase of population, of which the main immigrant stream is likely to be diverted to the valley of the Saskatchewan and after the railroad is built, across the Rocky Mountains. With this stream, the more adventurous of our own population may be expected to mingle. We must not count too much on a future revenue, which depends for its increase on an increase of population. The last census, making every allowance for inaccuracies and omissions, has proved exceedingly disappointing, and nowhere so much so as in Ontario; and we must remember that during the decade covered by the enumeration the North-West was practically closed to emigrants.

To add to a capitalized surplus by artificial means is surely the worst possible policy. What business man with a surplus at his bankers, large enough to cover an entire years transactions, would think of deferring any payment he had to make, for twenty years? A large surplus revenue is an abnormal condition of a country's finances; and in the present case it is only justified by the fact that we hold it applicable to the payment of a debt, of which the amount is uncertain. When we consider the fate of nearly all government sinking funds; when we enquire where are the numerous special funds which governments have been called on to administer, it is impossible not to be convinced of the danger by leaving a large surplus to be scrambled for by the cupidity of legislative majorities. The temptation