

from the United States a very considerable amount of money which they had formerly kept there, and which has always been treated as an available cash resource. It seems probable that this money was lent chiefly on call, and it is, moreover, well known that it was often lent indirectly to parties in Canada who were operating on the New York market. With such heavy liabilities as the banks have had to assume owing to the increase in deposits and circulation, prudence requires them to keep a considerable amount of their loans in such a shape as to be realizable at short notice. There is a prevalent and it may be admitted a well-founded objection to speculation in bank stocks, but, on the other hand, such are almost the only readily saleable securities in the Canadian market, and so long as they are so, we doubt much the possibility of preventing speculation in them, and as a necessary consequence of withholding from the operators the means of doing so.

The frank disclosure by the manager of the Federal Bank to the reporter of a newspaper has given publicity to one mode of evading the law, while another bank has evidently adopted a different method by which the same object has been accomplished. A very improper paragraph has been inserted in a Toronto journal, imputing blame to the Federal Bank for having called for an additional margin on certain stocks hypothecated by Mr. Walsh, a broker who recently committed suicide. We presume that the demand was made not by the Bank itself but by the Financial company, but it is simply absurd to complain of it. Nothing is better understood by all who obtain loans on the collateral security of stocks than that they are liable to be called on for additional margins under the penalty of having the stocks sold in the event of their non-compliance. This rule applies not to bank stocks specially, but to all other securities. It may be presumed that the Government will be prepared to deal with the question of loans on bank stocks during next Session, and that it will be prepared with some satisfactory measure on the subject, although we hardly see how it will be possible to frame any measure that will have the effect of withdrawing bank stocks from the operation of those who may wish to deal in them. Already a company has been started in Toronto, altogether unconnected with any bank, for the purpose of making loans on the collateral security of stocks, and it must be obvious that if it be true that one or more bank directors have borrowed from their banks on their

personal security for the purpose of making loans on collaterals, there is nothing to prevent a private individual or a company from doing the same thing. So long as it is the interest of the banks to keep a portion of their assets in the form of call loans, so long will there be speculation in all kinds of securities that are marketable, and it so happens that in Canada bank stocks are the securities most easily realized.

THE MANITOBA VETO.

The last *Official Gazette* contains the formal disallowance of the Manitoba Acts "to encourage the building of railways in Manitoba," "to incorporate the Emerson and North-Western Railway Co.," and "to incorporate the Manitoba Tramway Co." We have no means of knowing the precise grounds on which these Acts have been disallowed, but we entertain no doubt that they are deemed to be inconsistent with the agreement entered into between the Government and the Canadian Pacific Railway Company, and which was subsequently sanctioned by Parliament. We are well aware that the cry of "monopoly" has been and will be raised against the Canadian Pacific Company, but the real question for consideration is the bargain made with the Government, on the strength of which the company has undertaken to construct the road. We have more than once pointed out that it is most unfair to connect the Canadian Pacific Railway Company with the United States Railroad Company known as the St. Paul, Minneapolis and Manitoba Co. It is, of course, well known that certain capitalists who have an interest in the American Company are prominent members of the Canadian Company, a circumstance of ordinary occurrence. It is tolerably well known that certain Canadian capitalists had the good fortune, just at what may be termed "the turn of the tide" from severe depression to inflation, to purchase the St. Paul railroad on most favorable terms, and it is understood that they have made a good deal of money by the operation. This may and probably did induce them to embark in the Canadian Pacific Company on conditions which, whether advantageous to them or not, were first approved by the Government and subsequently sanctioned by Parliament. Those conditions we have always maintained should be carried out in good faith, and we know enough of English principle to feel certain that a political party in the Mother Country would maintain public faith, even though it had opposed the measure when undergoing the consideration of Parliament.

It ought, however, to be borne in mind that there is no certainty whatever that the shareholders in the Canadian Pacific Company are going to realize the enormous profits which their assailants choose to assume that they will obtain. They have undertaken a gigantic work which will not be completed for several years, and the success of which it will take many more years to determine. It is perhaps natural enough that the people of Manitoba should be anxious to enjoy the benefit of cutting rates between two great companies, while the earnings of the road might be insufficient to pay running expenses. The Pacific road, it is hardly necessary to observe, would never have been commenced on such an understanding. The gentlemen who entered into negotiations with the Government were men of business, and they took care to make such stipulations as would prevent their being exposed to ruinous competition, while they were ready to submit to the introduction of provisions which would restrain them from making exorbitant profits. For our own part, hoping most sincerely that the great Canadian road may be as profitable as the most sanguine have ventured to predict, we must own that we think that it is quite premature to assume that it will yield what may be considered a reasonable return for the capital invested and for the risk run by the shareholders. The portion of the road which is likely to be the most profitable is that which has been already completed. The sections on the north of Lake Superior and in British Columbia will be very expensive in their construction, and will cost a great deal to work. It is wholly impossible even for the directors of the company themselves to form any adequate conception of the results of the enterprise, and yet they are designated by a large number of individuals more or less interested as monopolists, who are ruining the settlers in the North-West by their exorbitant charges. Do these complainants ever reflect on what their condition would be if there was no railway, and if they were left to the means of transportation which formerly existed? Our belief is that the Government is actuated solely by a desire to maintain faith with a company which has undertaken a gigantic and hazardous work in reliance on the honor of the Canadian Parliament and Government.

THE FINANCIAL SITUATION.

We have not failed to give our best consideration to the criticism in the *Montreal Gazette* on our recent article on the "Position of Canadian Banks," but we