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REVIEWS

Economic Aspects of Railway Receiverships. By HENRY H. SWAIN, Ph.D. (American Economic Association [vol. iii. No. 2, of *Economic Studies*] 1898.)

RAILROAD receiverships in the United States have so often had for English investors unpleasant economic aspects that one reads not without surprise Dr. Swain's statement, based on careful and detailed investigation, that probably not more than one-third of the total railway mileage of the States has ever been in the hands of a receiver. For all that, railway receiverships, a subject regulated in the main by judge-made developments of a law originally intended to apply to the custody of simple forms of property, play an important part in the economic history of the United States. And not in their economical history only, for Dr. Swain's monograph throws interesting side lights on the social and political situation in the less settled States. Not so long ago "friendly" receiverships, appointments, that is, of receivers to protect a railway property from its creditors in the interest of the persons who were in control of the management, seem to have been far from uncommon. Or again, the refusal of a receiver in South Carolina appointed by a Federal court to pay State taxes, the distraint on the railway property by the State officials, and the prompt arrest of these latter for contempt of court by the United States marshal, form an excellent object lesson to illustrate Mr. Bryce's chapters on the relation between State and National Authorities. It should be added that the State has since attempted to redress the balance by enacting a law—which no doubt will be declared unconstitutional when opportunity arises—under which a railway receiver is made personally liable for State taxes. Of that very remarkable attempt at the introduction of judicial despotism, which, after becoming famous under the name of "Government by Injunction," has already been crushed by the good sense of the American people, Dr. Swain also gives some striking examples. On page 88 he compares, not quite accurately however, English railway debentures with American mortgage bonds. Granting that American bonds are secured on the corpus of the property, while English debentures have only a mortgage on the undertaking as a going concern, English debentures are yet far from being comparable to mere income bonds. For debentures are a per-

manent and cumulative charge, income bonds are only a charge on such income, if any, as may happen to be available in each particular year. It would have been of value for English readers if Dr. Swain had compared English and American railway receiverships from another point of view. A very competent critic has declared that American receiverships reduce to manageable limits, while English reorganisations increase still further, the previously excessive capitalization of a bankrupt railroad. Those who know how great railway systems like the Atchison, or the Denver and Rio Grande, or the Northern Pacific, have developed their capacity for public service since they got rid of their receivers and started afresh with liabilities which their income enables them to face with confidence, and can compare this state of things with that prevailing on numbers of small English railways, which are piling up year after year a load of debt which they can never hope to shake off, will be able to judge whether in this matter the experience of America would not be of value for our guidance in England.

W. M. ACWORTH

State Purchase of Railways in Switzerland. By M. HORACE MICHELI (Swiss Correspondent of the *Paris Musée Social*). Translated for the American Economic Association by JOHN CUMMINGS.

THIS monograph may be commended to the notice of those who desire to supplement the information on this subject given in recent numbers of the *ECONOMIC JOURNAL* and by the original authorities there cited. Two points brought out by M. Micheli seem to be of interest, and are, as far as I know, new. In June, 1895, the Swiss Federal Assembly passed a law providing that no shareholder should be entitled to vote at the annual meetings of the Swiss Railway companies unless he had been on the register as a shareholder for at least six months. "The avowed object of this law was to diminish the influence of foreign shareholders. . . This the law failed to accomplish; that influence, on the contrary, only increased. A great number of small shareholders, the majority of them Swiss, did not wish to have their shares registered, and were thus deprived of their right to vote. The foreign shareholders, on the other hand, holding large blocks of stock, fulfilled this requirement, and so acquired an influence which they had not previously possessed in several Swiss companies." In the Gothard company, for example, out of 100,000 shares, only 27,000—less than one-third—were registered, and nineteen-twentieths of this third were registered by domiciled foreigners. The second point is that according to M. Micheli, one main cause of the success of the purchase policy was the fact that "the railway officials voted in great majority for purchase, and under the leadership of M. Sourbeck conducted an active propaganda in its favour, persuaded that their condition would be ameliorated if they passed from the service of private companies into