

NEW PACIFIC COAST LINE

Reasons for Construction of Line from Evarts to Seattle.

TO SECURE ST. PAUL'S FUTURE

New Business Expected to Warrant Building of Line — Makes Fourth New Line to Pacific Within Past Six Years.

The extension of the Chicago, Milwaukee and St. Paul Railroad to the Pacific Coast, which was officially announced this past week, is the most important piece of railroad construction which has been undertaken in the United States in many years. Its completion will add one more to the list of railroads which reach from the Mississippi Valley to the Pacific Ocean.

The factors which govern important railroad undertakings such as this extension of the St. Paul are given special interest at this time. Fortunately for the country at large, the day of purely competitive railroad building is over. There was a time when the existence of a railroad in any given territory was considered ample reason for the construction of a parallel line. The object of course was not to develop new fields nor to supply the public with needed transportation, but merely to bring about a condition which would force the original line in self-protection to buy out the new-comer.

Another motive in much of the railroad building years ago was the desire to lay down somewhere a line of road which could be made the basis for the issue of stocks and bonds which could be readily disposed of in the market.

At the height of the prosperity of the community-of-interest idea, prior to the overthrow of the Northern Securities Company, the assertion was made in many quarters that competitive railroad building was entirely a thing of the past. That this is not literally true is indicated by this very extension of the St. Paul. No clear idea of the influences which have led to the construction of this line could be had were competition left out of the question entirely. The difference lies in the fact that same competition has taken the place of competition for competition's sake.

The management of the Chicago, Milwaukee and St. Paul Railroad is seeking a twofold object in building its line from its present western terminus, at Evarts, S. D., to Seattle and Tacoma. The extension is to be built partly to fortify the existing lines of the St. Paul system and partly because it is the belief of the management that the road's Pacific Coast extension will develop a large amount of new business which in itself will justify the existence of the new line.

The factors governing the latter consideration are on a large scale the same as those which lead to the construction of any new short line, namely, a desire for increased business. The first-named reason for the construction of the St. Paul extension, however, is the one which has the larger interest, because of its broader bearing upon the general railroad situation. The St. Paul management considered that it was facing a situation which might lead eventually to the impossibility of the road's further growth. Without a line running to the Pacific, to bring the system's present lines into close touch with the Pacific Coast, the St. Paul Road would be left far behind in the effort to secure through traffic. To join the productive country along the Pacific Coast to the great Mississippi Valley across the relatively undeveloped country lying between the two seemed essential to the growth of the St. Paul system on a large scale. The road was too important a one to be left only with a local business, and in order to secure the long-haul traffic it was considered essential to have its own line to the Pacific.

From this point of view the St. Paul is bound to become a competitor of the other Pacific Coast lines, more particularly of the Great Northern, Northern Pacific, and Union Pacific systems. It is a competition, however, the results of which need not be feared. That it is regarded complacently by at least some of the roads with which the St. Paul will compete is shown by the statements made recently by James J. Hill, that he would look with satisfaction upon the St. Paul's entrance into Seattle. Undoubtedly, the existence of a line about midway between the Northern Pacific and Union Pacific lines will bring much new business, which in the long run must benefit not only the St. Paul itself, but the other roads as well. This is the broad view of the matter taken by Mr. Hill, who speaks with authority not only for Great Northern, but for Northern Pacific as well.

While the new St. Paul line will doubtless develop and secure a very large amount of local business it is to be constructed not so much with reference to local business as to long-haul business. The new line has not yet been fully located, but this much has been decided, that, so far as conditions permit, the road will follow a straight line from one terminus to the other. It will be constructed, in other words, with a view to making it a line specially adapted to handle through traffic.

The best territory through which the new line will pass is in Washington, and it is from this quarter that the management expects to secure most of the new business that the line will develop. The expectations are that in this territory will be secured a large traffic in lumber and grain as well as in general merchandise. In Montana the road will pass through a rich mining district. The outlook, therefore, is that the business of the new road will be well diversified and will depend upon no single source of freight as its chief support. This expectation is in conformity with the changes which have taken place in the character of railroad business in recent years. The so-called Granger roads have ceased to be such distinctively, and some of them now do a larger business in other things than they do in grain.

The suggestion of a through line to the Pacific naturally brings to mind the transportation of merchandise for export across the Pacific. The management of the St. Paul, however, has in no sense whatever based its calculations upon any transportation which it may do in connection with Oriental trade. At present that trade is considered a negligible quantity in the railroad business in the Northwest. The point is made that the total volume of trade between the United States and the Orient is too small and the rates secured on export goods too low to make the business worth striving after at present. Of course were it possible to concentrate the trade upon any one line it would be a different matter, but as is pointed out by the officials of the St. Paul, business is divided at present between the Canadian Pacific, the North-

ern Pacific, the Great Northern, the Union Pacific, and the Southern Pacific, and the share which the St. Paul might secure would be too small to be an important factor in the business of its new line. The management of the St. Paul expects this business to grow in the future, but regards its development as too indefinite to be given consideration in the matter of constructing its Pacific Coast extension.

The very great extent to which trans-continental business has developed in recent years is evidenced by the fact that all the lines running to the Pacific have been doing a prosperous business notwithstanding the fact that within the last half dozen years several roads have been added to those which previously reached the Pacific Ocean. A long interval elapsed between the construction of the early Pacific lines and those that have been added within the last few years. The St. Paul Pacific line when completed will be the fourth line which has quite recently sought an outlet to the Pacific. These include the Atchison, which some years ago secured its own line to the coast; the Denver-Los Angeles Road being built by Senator Clark, and the Western Pacific which the Goulds are building from Salt Lake City to San Francisco. The construction of the last two is not yet completed, but the expectation is that they will both be in operation before the end of the three years which it is calculated will be required by the St. Paul Railroad to build its line to Seattle. The broadening markets of the Pacific slope and the capacity of the country for further production in various directions seem to explain the belief in the railroad world that the new lines will find ample support without resorting to rate wars intended to secure the business which is now done by existing lines.

WILL RUSSIA PAY ?

Foreign Markets Are Asking This, Following Decline in Bonds—

Berlin's Views.

The persistent decline of Russian bonds on European markets, particularly in London, where they sold on Saturday 6 points below the price made in the previous week, has been followed naturally enough, by discussion of the probability of the passing of forthcoming interest payments. This discussion has been particularly heated in Berlin, where Russian commercial obligations in enormous amounts are held, and open statements have been made that Mendelssohn & Co., the bankers most closely associated with the Russian Government, were engaged in supporting the market for Government securities in order to prevent a panic in them.

The Berlin market was influenced largely by a statement of Prof. Ballod of the Faculty of Berlin University and a member of the Prussian Statistical Office, made in a review of Dr. Martin's book on "The Future of Russia and Japan," wherein it was suggested that Russia might find it necessary to repudiate, in whole or part, her international obligations. This is Prof. Ballod's statement:

"According to information from a trustworthy quarter, of which the Press, however, seems to know nothing, the Russian Ministry of Finance began as early as last June to address inquiries through roundabout channels not only to Russian but also to foreign political economists, with a view to procuring from them an expression of opinion with regard to the effect produced upon the economic condition of a debtor State by a one-sided reduction of the interest payable on Government securities, as was done in the case of Argentina, Turkey, Greece, Spain, and Portugal. Of course, the only possible reply was that even a partial repudiation of financial obligations was very profitable to the debtor State, although highly unpleasant for the creditors in question. As a matter of fact, there is a far greater body of opinion in Russian authoritative circles in favor of a declaration of partial bankruptcy by the Russian Empire than those who are concerned to crush Herr Martin and his book would have us believe. Officially, and in particular by those who are connected with the Russian Ministry of Finance, it is, of course, protested that the Russian people would rather starve, or be starved; than allow its financial obligations to be repudiated. To this Herr Martin rightly objects that, in the words of Wilhelm Roscher, a purely doctrinaire policy which would rather see the State perish than allow it to declare itself bankrupt cannot be taken seriously."

It is real news that such official inquiries were made relative to the advisability of repudiation, and its publication will increase the interest with which the progress of Russian disturbances is even now watched by financial markets.

In the meantime Paris puts the best face on the situation in spite of the repeated declines in the Russian issues, speaks cheerfully of the \$485,000,000 gold in the Imperial Bank of Russia. On the New York Stock Exchange there is a favorite proverb, "The tape tells the story," but this may, of course, not be true when applied to the steady decline of Russian bonds abroad and the bearing of this on the payment of interest, or even principal.

SILVER'S HIGH PRICE.

Export of Silver Coin from Mexico Results in Gold Exports to That Country.

The shipment of \$1,850,000 gold to Mexico last week was attributed directly to the purchase of Mexican silver dollars in that country for export to Europe and the Far East. This export of silver from Mexico was the result of the advance in silver which gave the dollar a greater value as bullion than as coin. In order to prevent a similar advance in the Philippine silver coins the authorities of those islands recently made it illegal to export Philippine silver coins, thus preventing the withdrawal of the coin from circulation.

The advance in silver this past week to 90½d. per ounce in London and to 86¾c. here was the highest price reached by silver since 1896. In that year silver bullion was quoted in London as high as \$1 15-16d. per ounce. The highest price since then until this past week was 30¼d. in 1900.

The advance in silver at this time is regarded as the result of legitimate trade factors rather than of speculation. Until quite recently the speculative activity was chiefly on the short side of the market. The covering of a large short interest has indeed been an incident of the continuous advance in the metal. Apart from this short covering, one of the chief factors in the advance has been the heavy purchases of silver by the India Council. The industrial demand for silver has also grown largely. Trade authorities state that the supply of the metal has not increased as rapidly as the demand.

British Post Office Savings Bank.

The annual report of the British Post Office Savings Bank for the year 1904 shows that the total amount due depositors on Dec. 31 last was over \$740,000,000. During the year the cash received from depositors was more than \$200,000,000, and the repayments nearly \$210,000,000. The interest accruing during the year was \$17,500,000.