

conditions: (1) The Board of Trade to report specially in each case; (2) interest to be added to the capital of the undertaking; (3) but the power of issuing debentures to be only reckoned on the capital exclusive of this addition; (4) payment of interest only to be made during construction, or for such less time as might be authorized; (5) interest not to exceed 5 per cent.; (6) prospectuses to notify the intention of paying interest out of capital. Further, the Committee, having regard to the bearing of these proposed changes on the existing law, thought the best way to proceed would be by a general Act rather than by a mere change in the Standing Order; but such an Act was not brought in.

In the session of 1883 debates took place in both Houses upon the proposed relaxation of the Standing Orders. In the Commons (6th June, 1883) a scheme was introduced by Sir Arthur Otway, Chairman of Ways and Means, differing in some respects from the Select Committee's of the preceding year as follows: (1) Interest was not to exceed 4 per cent.; (2) it was only to be paid during construction; (3) none was to be paid till two-thirds of the share capital was issued; (4) nor on calls in arrear; (5) the interest was to be stated in the Bill; (5) and to appear in the prospectus; (7) the half-yearly accounts were to declare the sum paid in interest; (8) penalties were to be imposed for any unlawful payment.

Sir Arthur Otway, in support of the relaxation of the Standing Order, showed that the Great Northern Railway had been allowed to pay 5 per cent. interest on capital for seven years, without which the line could not have been made. The debate that followed is interesting, bringing out as it does in relief the salient points for and against the relaxation. The opposition to it was said to be instigated by the three greatest railway companies—London and North-Western, Midland, and Great Western. Mr. Chamberlain, President of the Board of Trade, strongly supported the relaxation—not formally on the part of the Government, but as expressing the opinion of most of his colleagues as well as his own, and especially that of the Prime Minister, Mr. Gladstone. The House divided, there being 131 for Sir Arthur Otway's resolution and 123 against, thus carrying the proposal by a majority of eight. The Standing Order was consequently amended, and I annex the new Order (167) in the shape in which it was passed and is now in force.

The *Times*, reviewing the debate, supported the relaxation on the ground that the Standing Order had been passed at a time of the wild railway speculation, a recurrence of which need not be feared, as things had changed since then, £800,000,000 being actually invested in railways, and the railway system having become all but complete.

The subject was then taken up in the House of Lords, when Lord Redesdale, Chairman of Committees, invited an expression of opinion upon a resolution in favour of amending their own Standing Order in the same direction as the Commons. Lord Auckland objected to any alteration until a general Bill was passed to amend the Companies Acts. Lord Cairns advised that the matter should not be finally decided then, but be dealt with in the next session by a Joint Committee of the two Houses; and the Lord Chancellor (Selborne) opposed the relaxation; but Lord Salisbury supported it on the whole as a device for "enabling investors to practise upon themselves a wholly innocent self-deceit, in order to take back, in the shape of interest, what was really a little of their own capital." In the end Lord Redesdale's motion was negatived, and the Lords retained their prohibition.

The Standing Orders of the two Houses were thus placed in conflict, and nothing definite seems to have been done about the principle of the Commons' alteration until it cropped up again in the case of the Regent's Canal City and Docks Railway Bill during the session of 1885. This Bill was one to connect all the docks at the east end of London with the great railways, and contained a provision allowing interest, to the aggregate amount of £660,000, to be paid out of capital. A debate took place in the House of Commons on the second reading, when Sir Joseph Pease urged, as Lord Auckland had done, the expediency of waiting for a general Act. Mr. Chamberlain, President of the Board of Trade, again supported the relaxation, pointing out that the Indian railway companies had a guarantee from the Government which sanctioned payment of interest out of capital. Sir Richard Cross—now Home Secretary—opposed the scheme; but Mr. Ritchie—now Secretary to the Admiralty—supported it, as did Sir Arthur Otway; and the second reading was carried by 187 to 117, a majority of seventy.

Upon the Bill going up to the Lords, the Earl of Ravensworth proposed to suspend Standing Order 128; this was objected to by Lord Brabourne, Lord Selborne, and several other Lords, but was supported by Lord Salisbury and the Duke of Richmond. Lord Salisbury ridiculed the idea that Standing Orders were to be like laws of the Medes and Persians, never to be touched, no matter how much industry they arrested or how much misery they caused. No one could deny, he said, that it was in the House of Commons they must look for the men most conversant with trade and financial matters; and since that House, after much controversy, had removed the prohibition, the Lords ought now to do the same, for it was the fault of the Standing Orders of both Houses that they had bound up industry too tight, merely to protect careless and improvident investors. In the end, the second reading was carried by forty-six to thirty-seven, and the Bill passed containing the special clause as to payment of interest out of capital, which you will find among the papers I am now sending you. The company was authorized to pay 4 per cent. interest on capital until the completion of the works, but the aggregate amount not to exceed £660,000, and it was to be payable only if two-thirds of the share capital were issued and actually held by shareholders.

Having given this case of a private company, it will perhaps be convenient also to give an instance from the Indian railways referred to by Mr. Chamberlain, where interest on capital is allowed to be paid under Imperial guarantee, and I am now looking up the Acts relating to those railways for that purpose.

In the meantime, I may say that perhaps the best evidence you could have of the change in the drift of opinion here, since the railway panic of 1845, is to be found in the division-list on the