Transcription, February 2015:

Daily News (London) No. 18890 (2 Oct. 1906): 10f.

[p. 10f]

‘Buy the Railways. Suggestions and Criticisms.’

(To the Editor of “The Daily News.”) Sir,—I shall be glad if you will permit a further comment on Dr. Wallace’s scheme, and his remarks upon the alternative plans suggested. Whatever the demerits of Mr. W. Bennett’s scheme it certainly would not entail, as Dr. Wallace suggests, a greater loss to existing railway shareholders than his own. The depreciation of value caused by the sudden circulation of £1,000,000,000 could not possibly be as great as the conversion of that amount into terminable annuities, based upon average dividends.

Assuming the average dividends of railway companies at £41,000,000 (Mr. Chiozza Money’s estimate) we might safely reckon the average railway dividend at less than 4 per cent.

The average age of the shareholders is difficult to estimate, especially as under Dr. Wallace’s scheme dependent children would benefit. But assuming 40 years as a fair average, at that age a sum of £100 would purchase an annuity of £5 10s. per annum, according to the scheme of a reliable life assurance company. The difference between £4 annuity and one of £5 10s. applied to the £1,000,000,000 of railway stock would involve at one stroke a confiscation of £273,000,000, or over a quarter of the whole capital value.

Instances of its individual application demonstrates even more its injustice. Shareholders whose ages might be 30 and 70 would draw equal annuities of 4 per cent. per annum on equal investments. In the latter case the State would confiscate £65 per £100; in the former, about £15.

Dr. Wallace’s criticism that my scheme (which, after all, is the usual method of most State and municipal purchases) involves “a series of complex operations on a gigantic scale which might benefit great capitalists, but would almost certainly result in loss to the public,” is not supported by any proof or illustration. As a matter of fact, the operations needs not be more complex than his own.—Yours, etc.,

Chas. E. Smith.
Cobden Chambers, Corporation-street, Birmingham.

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