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THE GENERAL FINANCIAL SITUATION.

In all the great international markets rates of discount hardened during the week. Call money in the London market is now 1 to 1½; short bills are 3 p.c.; and three months' bills, 3 to 3⅛. Bank rate is continued at 3 p.c. While the Bank of France and the Imperial Bank of Germany adhere to the official rates heretofore quoted by them—3 p.c. and 4 p.c., a distinct rise has occurred in the open market rates in Paris and Berlin. Discounts at the French capital are 2¾ p.c. and at Berlin the quotation is 4.

This marked rise is no doubt due to the political situation, which happily now shows some signs of easing. The rates quoted in Berlin indicate that acute pressure has been experienced there and reports from those parts of the German Empire lying near the French frontier go to show that the savings banks have been under pressure from their depositors who have been uneasy about war. This development has a most serious aspect for German finance. In Germany the doctrine is held that the funds of savings bank depositors may be invested largely in mortgages and other long term securities. They have the same opinion in the United States. The trouble is that when savings bank funds are so invested a very extensive movement of withdrawal cannot be met. These troubles probably represent the price or penalty which Germany has to pay for her high-handed policy at Agadir. In France the opinion is generally held that Germany has played the part of a bully for some ten or fifteen years, and the determination to make a resolute stand appears to have been reached. Financially, the provocation of a war could not but have the most disastrous effects upon Germany. And with France backed strongly by Great Britain and perhaps by Russia, a victory for the German arms on land is by no means a sure thing. It is probably recognized in Berlin, too, that a war at this time would be brimful of menace for the German navy. But, in the meantime, the prolonged unsettlement has had its natural effect upon the great European markets. Undoubtedly the indefinite continuation of the dispute would lead shortly to the putting up of the official discount rates of the big state banks. Already the open market rates are approaching close to the bank rates. When the market rate approaches the bank rate and when it rises above it there is always considerable pressure upon the central institution.

In all probability the situation in Europe has had an influence upon the money market in New York. But the movement of funds to the interior for crop-moving purposes is perhaps the principal factor in hardening the tone of the Wall Street loan market. Call loans are 2¼ p.c.; sixty day loans, 2¾ to 3; 90 days, 3 to 3¼; six months, 3½ to 3⅞ p.c. On Saturday all the institutions in the Clearing House reported loan expansion of $3,800,000, cash decrease of $15,700,000 and a decrease of $11,700,000 in excess cash reserve. After this deduction the excess cash reserve stands at $25,562,000. Taking the banks alone the loan expansion was $2,370,000, the cash loss $10,300,000 and the decrease of surplus, $7,718,000. The heavy loss of cash is regarded as somewhat mysterious. It is recognized that a considerable amount of currency was shipped west and south to the harvest fields, but that movement by itself does not account for the decrease. This week the industrial situation in the United States assumed a more cheerful aspect with the announcement of resumption of operations by many important cotton mills in New England. On Tuesday mills employing 55,000 men, which had been idle from eight days to six weeks, resumed manufacturing operations. The drastic readjustment in the prices of raw cotton, a result of the good crop of this year, had put the