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THE GENERAL FINANCIAL SITUATION.

Again this week the Bank of England secured the Transvaal gold—amounting to \$4,000,000—which was offered in the London market. Bank rate in London has been left unchanged at 4 p.c. In the market, call money is $2\frac{3}{4}$ to 3 p.c.; short bills are $3\frac{7}{8}$; three months' bills $3\frac{3}{4}$ per cent. These rates represent a fractional advance as compared with last week's quotations. At Paris discounts in the market are this week at $3\frac{1}{2}$, and the market rate in Berlin has risen to $4\frac{7}{8}$. Probably the next move in European finance will be a rise in the official discount rate of the Imperial Bank of Germany. As yet, however, that institution adheres to its 5 p.c. quotation. Bank of France rate is maintained at $3\frac{1}{2}$ p.c.

It will perhaps be some time before the undercurrent of unsettlement is eliminated from European finance and politics. The menace of the Anglo-German unfriendliness will not be easily removed.

The situation is aggravated and the peril of war is increased by the attitude of those newspapers in both countries which are urging increased armaments. In some cases it appears that the agitation is stimulated and encouraged by the interests connected with the manufacture of ships and munitions of war. Certain Canadian papers, professing the highest patriotism, have added their voices to the cries for more expenditures for warlike purposes; their position increases, perhaps, the difficulties of the statesmen who are laboring for peace. Persia is now furnishing trouble for the trans-Atlantic powers. It seems almost as if Britain will be compelled against her will to annex Southern Persia. Apparently such action will tend to increase the vulnerability of India; it will also be repugnant to a large section of the British people. The compelling force is the necessity of retaining Russia's friendship. So the German question is indirectly responsible.

In New York the hardness imparted to the money market by the gold outflow and the December interest, and dividend payments, is still in evidence. Call loans are $4\frac{1}{2}$ p.c.; sixty day loans, 4 to $4\frac{1}{4}$ p.c.; 90 days, 4 to $4\frac{1}{4}$ p.c.; and six months, 4 p.c. The bank statement on Saturday presented unusual features. In the case of all members of the clearing house, loans decreased \$25,300,000; cash fell \$19,600,000; and the excess cash reserve dropped nearly to the vanishing point—the reduction for the week being \$7,000,000, and the excess reserve at the end of the week being \$1,308,900. And in the case of the banks alone the showing was even worse, for they reported loan reduction of \$20,462,000, cash loss of \$26,400,000, and decrease of surplus \$15,009,800. As a result of these developments the banks had a deficit of \$6,146,000 to show.

Various explanations have been given for the unusually large loss of cash. One interesting theory is that the Canadian banks wished to make a fine display of cash on hand for November 30th, on which date several banks end their fiscal years; and that the Canadian institutions instructed their New York bankers to debit their accounts with several millions and set the cash aside, or "ear-mark" it, as the phrase is. In this way the Canadian bank could count the funds as specie instead of balances in New York banks. The banks would, according to the story, have the money put back at credit after the end of the month. Those who know the practices of the banks in Canada will not readily believe that any of the important institutions would resort to such foolish tricks. Any that did so would richly deserve to be shown up. It is more likely that the extraordinary cash losses shown by the New York banks were due to operations of banks in the United States and to the heavy payments on 1st December.

The monetary position in Canada is not greatly changed. Call loans are quoted at 5 to $5\frac{1}{2}$ p.c. as heretofore. It is to be expected that the large im-