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THE GENERAL FINANCIAL SITUATION.

The Bank of England secured most of the $4,250,000 African gold offered in London on Monday. Bank rate remains unchanged at 3 p.c. In the London market day-to-day money is 2¼ to 2½; short bills are 2⅞ to 2 15-16; and three months bills, 2 13-16 to 2⅞ p.c.

There has been much criticism in the city of the Government's policy of holding back last year's surplus of over £6,000,000. The money has been lying at credit of the Exchequer in the Bank of England; and because of the huge Government balances in the big central bank, the supply of funds in the London market has been notably reduced. Financiers have complained that business in the city has been to some extent injured by the lock-up of funds. Chancellor Lloyd George's announcement the other day, informing the financial public that about £5,000,000 would be at once employed in redemption of Consols, therefore, served to improve the sentiment of the market quite notably. Owing to the low price of Consols £5,000,000 cash will suffice to redeem £6,250,000 of debt. The purchase should have an effect in improving the quotations for Consols and also, of course, the money market gets the benefit of the $25,000,000 released by the Bank of England.

Naturally the money market did not allow itself to be perturbed by the allocation of a further portion of the surplus to naval construction; nor by Mr. Lloyd George's intimation that next year a marked increase in the expenditure upon the navy would be necessitated by Germany's programme. The allocation of several hundred thousand pounds for the purpose of encouraging cotton production in the colony of Uganda has a special interest. England has experienced inconvenience on several occasions in the past, from the fact that the United States were almost the sole source of supply of raw cotton. It is said that Uganda offers to become an important factor in cotton production, and the action of the Government in contributing liberally to the encouragement of the industry will meet with the approval of the Lancashire spinners and of the country generally.

In the Paris market discounts are at 2⅞ per cent. Bank of France rate is 3 p.c. In Berlin discounts are 4¼. During the week gold shipments from New York to Paris were inaugurated with the dispatch of $2,000,000. It has been suggested that perhaps Paris wanted this money for the purpose of lending to Berlin on account of the impending half-yearly settlement. The June settlements in the principal European countries are attracting rather unusual attention. Probably the release of Exchequer balances, referred to above, will suffice to enable London to meet them with comfort. But as regards Germany, financial Europe will doubtless breathe easier once the payments are fairly concluded.

In New York call money is 2¾ p.c.; sixty day loans are 3 p.c.; ninety days, 3 to 3¼; and six months, 3¾ to 4 p.c. The bank statement on Saturday revealed a loan contraction of $11,766,000 accompanied by a decrease of $875,000 in cash. The excess cash reserve increased by a very slight amount. That was the showing made by all members of the clearing house. In the case of the banks alone the loan contraction amounted to $6,102,000, the loss of cash to nearly $4,000,000. Therefore the decrease in surplus amounted to $1,148,000 and the item stands at $26,271,250.

As soon as the political excitement over the Chicago convention had died away the financial markets were called upon to take account of the exciting meeting of the Democrats at Baltimore. With Mr. Taft definitely nominated by the regular Republican party, Col. Roosevelt nominated by a rump convention of the same party, and the issue of the Baltimore convention as yet undecided, politics in the neighboring country have a very mixed appearance. Many authorities are inclined to be sceptical about the persistence of the so-called third party. They think