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THE GENERAL FINANCIAL SITUATION.

The consignment of South African gold arriving in London on Monday was divided between the United States and Germany. Bank of England rate was maintained at 3 per cent. In the London market the tendency has been towards ease notwithstanding the strong American demand for gold. Call money is $1\frac{1}{4}$; short bills, $1\frac{7}{8}$ p.c.; three months bills $2\frac{1}{8}$. Scarcely any change has occurred in the Paris and Berlin quotations. At the former centre the market is 2 p.c. and at the latter 3. Bank of France rate is 3 p.c.; that of the Bank of Germany, 4 p.c.

While the European money markets are thus continuing easy the executives of the great state banks are obliged to have an attentive regard for the happenings in New York city while passing on the question as to what their official discount rate shall be. If the trouble there were less acute it is possible that the Bank of England might ere this have lowered its rate. But when the liquidation is so heavy and persistent and when stock quotations fall so relentlessly as at the beginning of the present week it is clear that there has been something seriously wrong with the speculative situation and that the market has been earnestly engaged in rectifying the trouble. Under those circumstances it has been necessary for the European bankers to hold their rates at reasonably high levels as a measure of precaution against some possible disturbing development in the American metropolis.

In New York itself call loans range from $1\frac{1}{2}$ to 2 per cent. with most of the business done at $1\frac{3}{4}$ p.c. Sixty day loans, $3\frac{1}{4}$ to $3\frac{1}{2}$ p.c.; 90 days, $3\frac{7}{8}$ to 4 p.c.; and six months 5 to $5\frac{1}{2}$. One effect of continued liquidation in the speculative markets was seen in another large addition to the bank surplus on Saturday. The clearing house banks reported a small decrease in the loan account—\$867,000, and a cash increase of \$16,000,000. As a result the surplus rose by \$12,500,000 and stands at \$46,019,600 or 28.9 p.c. of the net liabilities. The trust companies and non-member state banks

reported a decrease of \$7,400,000 in their loans and of \$800,000 in their cash holdings. Their proportion of reserve to liability is unchanged at 17.5 p.c. So it is clear that the banking position is getting stronger and stronger, and is fast approaching the stage in which it should be capable of offering a satisfactory resistance to anything likely to occur in the way of disaster. That is, of course, providing that the legislative meddling and interfering with the railroads has not overturned the confidence of the investing classes generally. There must be a considerable number of investors who have come to believe that, owing to the pernicious activity of the state and federal legislatures, railroad stocks are not so desirable as investments as they were formerly. If the attacks and the interferences continue this belief will unquestionably spread, and it is quite possible that a very serious blow will have been dealt to the business development or prosperity of the United States. It is an extremely fortunate thing for Canada that the Dominion Government retains so large a share of the control over the legislation affecting railways and that there is not at Ottawa a disposition to take the advanced views regarding this subject which are apparently held at Washington and the state capitals.

In the Dominion the money situation continues stringent. Montreal and Toronto, like New York, have been experiencing a very considerable liquidation of speculative accounts; and to the extent that bull pools have been cleaned out, and speculative loans reduced, the position of the financial institutions has been strengthened and their ability to handle the fall harvests increased. Call loans, though nominally $5\frac{1}{2}$ p.c., are hard to get; and it is said that some classes of loans are paying 6 p.c.

Crop reports from Western Canada indicate that the losses from dry weather may be, in small part, repaired by the soaking rains that have just been received. However, there is no disguising the fact that for the Westerners 1910 will be a bad crop year. It is almost certain that banks and the creditor classes generally will now exercise much caution in granting new loans or increased lines of credit to parties whose business depends upon the outcome of the Western crops. In the agricultural line it has remained this year for Ontario, Quebec, and the East to save the day. Recent reports emphasize the good quality of the Eastern harvests. The farmers are undoubtedly having a prosperous season. Abundance of rain has kept the pastures in good condition and thus made possible a heavy yield of dairy products. Field crops, roots, fruit—all have done well; and the indications are that the bank branches in Eastern Canada will have a most satisfactory in-