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THE GENERAL FINANCIAL SITUATION.

The Bank of England secured most of the $4,250,000 African gold offered in London this week. Bank rate is unchanged at 3 p.c. In the London market call money is 1¾ to 2; short bills are 3 per cent.; three months' bills, 3 1-16 to 3⅛. Bank rate in Paris is 3 p.c. and in Berlin 4½ as heretofore. Private rate of discount in Paris is 2⅝ and in Berlin, 4 per cent.

European financial circles are disposed to attach much importance to the American crops as an international factor, and buying orders emanating from the stock markets at the European centres have had some influence in making the Wall Street situation more favorable to higher quotations for securities. In New York call money is 2⅞ to 3 p.c.; sixty day loans, 3½ to 3¾; ninety days, 3¾ to 4 p.c.; and six months, 4½ to 4¾. According to the Saturday statement the clearing house institutions (banks and trust companies) expanded loans $955,000 and increased their cash holdings $1,840,000. As a result the excess cash reserves increased $389,300 from $20,398,950 to $20,788,250. In the case of the banks alone the loan expansion was $8,025,000, the cash increase $373,000, and the decrease of surplus, $1,803,000. The surplus here amounts to $17,728,500.

This surplus appears none too large for financing such heavy crops as are indicated for the United States. From now until November the clearing house banks will be shipping large parcels of currency regularly to Chicago, St. Louis and other centres for use in crop moving, and the movement promises to have a marked effect on the bank position. However, while it is to be expected that money rates will tend to rise as the main body of the grain reaches the marketing centres, it is not anticipated that acute stringency will develop. If there had been in New York and in other important American centres periods of tight money during the summer or spring, then there would be more reason to expect abnormally high rates when the task of moving the crops was added to the other work of the banks. But that has not been the case. For a long time interest rates have been dishearteningly low from the lenders' point of view. Even in those periods in which the supply of cash at the centres has fallen to the lowest point for the year, interest rates have not been unduly high.

In short, the course of the money market during the past two or three years has been such as to indicate that there are important reserves or stores of liquid capital within reach of the market apart altogether from the surplus shown in the New York bank statement. If the occasion arises, as it doubtless will, the clearing house institutions at the metropolis can resort, to a certain extent, to the old device of shifting loans to trust companies and other outside institutions. Indeed as a matter of fact a moderate rise in interest rates operates automatically to increase the available funds of the New York banks. When call loan interest rates approach or pass the 4 p.c. level a considerable amount of deposits held by the banks will be utilized to take up the bank loans.

A wealthy capitalist with bank deposits aggregating $2,000,000 will be tempted to put say $1,000,000 of his funds into call loans when the rate to be obtained on them is practically double that paid by the banks on deposits. Hence occurs a fall of $1,000,000 in the bank deposits not accompanied by a loss of cash; and the banks as a whole have a quarter of a million more in the way of surplus reserves.

Then there is Europe to draw upon. For the purpose of moving an enormous crop or for financing a great industrial and commercial revival, London and Paris can be counted upon to provide all that is needed. Such advances would be on short