The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881. PUBLISHED EVERY FRIDAY.

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Chief Office:
GUARDIAN BUILDING, 160 ST. JAMES STREET, MONTREAL.

Annual Subscription, $3.00. Single Copy, 10 cents

MONTREAL, FRIDAY, MARCH 29, 1912

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THE GENERAL FINANCIAL SITUATION.

In last week's CHRONICLE it was mentioned that the lack of demand, from British industrial concerns, for funds to pay wages, etc., would probably tend to make the London money market easier. Whether this factor is responsible or not, a distinctly easier tone is in evidence at the imperial capital this present week. Bank rate has not been changed. That remains at 3½ per cent. But call money is quoted at 3 p.c.; short bills, 3½; three months' bills, 3 7-16. These quotations represent fractional recessions from the figures in force a week ago.

On the continent money rates have held firmly. At Paris discounts in the market are 3¼, and at Berlin they are 4⅛. Bank of France rate is still 3½ p.c. The Imperial Bank of Germany also quotes last week's rate—5 per cent. But Germany is now busily engaged with the quarterly settlement, which is proving very difficult. The monetary situation in Germany continues to wear an exceedingly doubtful aspect. The great banks there are very closely associated with the industrial concerns. The connection between the banks and industry is much closer than in Canada. A big German bank will practically undertake to float all bonds, etc., which an industrial concern in its entourage requires to issue. The bank buys some of the bonds itself with the intention of marketing them in due course; it also distributes a considerable amount among its depositors at the branches and deposit agencies. In all probability the bank will have a representative or two on the board of the industrial concern; and if the industrial company be very powerful it may have representation on the bank's board. Then in addition the bank is accustomed to make loans and advances to the industrial concern, discount bills for it and perhaps accept paper drawn by it. It is owing to the banks' active participation in the promotion of new companies and in the business of floating securities for their customers that they (the banks) are obliged to have such large capitals. For an ordinary banking business such as the banks in the United Kingdom and in Canada carry on, does not necessitate excessive capital.

Before the French funds were withdrawn last midsummer the banks had engaged them, or a considerable part of them, in supporting the big German industries. When the withdrawal occurred it seemed that drastic liquidation of German industrial concerns was inevitable. And indeed a considerable liquidation has been taking place. However, the loans secured by the German banks in New York sufficed to enable Germany to escape a general liquidation. Notwithstanding this, there have been important failures; and reports of heavy losses involving the big banks are current. In some particular cases the losses are said to have reached two or three million dollars. The doubtful point about the German situation is the length of time for which the New York loans will be available. Business is picking up in the United States and speculation in Wall Street appears to be reviving. Sooner or later the American funds will be required at home. Under such a wasteful banking system as the United States possess it is difficult to conceive of that country financing any European country while trade is active in America.

In New York call loans are 2½ p.c.; sixty day loans, 3¼ to 3½; ninety days, 3½ to 3¾; six months, 3¾ per cent. The surplus reserves of the clearing house institutions, as shown in the Saturday statement, suffered diminution, owing to loss of cash which amounted to $5,250,000 in the case of all members. This, taken with the loan contraction of $1,000,000, reduced the excess cash reserve from $16,985,000 to $12,235,000. Taking the banks by themselves the loans increased $2,819,000, and the cash decreased $6,140,000—the net result being a fall of $5,400,000 in the surplus reserves. A con-