

not in general circulation. At the present time more than five-sixths of the total outstanding are held by the banks. They regard them as being in effect gold certificates.

Another of the long-awaited Supreme Court decisions on United States trusts was delivered this week. The Tobacco Trust is required to be dissolved and is to be re-organized under the direction of one of the lower courts. This decision was rendered on Monday after the markets had closed, and as Tuesday was a holiday in the States, people looked to London to see what the effect would be on American securities. The market there was not disturbed, and a number of railroad stocks advanced in price. It should be observed that the cut in steel prices occurring last week is something of a bull point for the railway stocks, inasmuch as the roads will get supplies cheaper and if the cuts stimulate business their gross earnings should be helped.

In Canada money rates are unchanged—call loans, $5\frac{1}{2}$ per cent.—and the general situation still contains the elements of stringency which have aroused complaint. Everything is going forward prosperously, and the experts declare that the prospects so far for a record wheat crop in the Western Provinces are excellent. Several authorities of high standing have mentioned 200,000,000 bushels as the possible wheat crop if weather conditions during the summer are favorable. It seems quite probable that all past records will be eclipsed this year; and every indication points to an indefinite continuance of Western prosperity.

THE BANK OF ENGLAND AND THE GOLD MARKET.

Bankers and financiers in all parts of the globe evince interest in the disposition of the consignments of gold, the product of the Transvaal mines, which are offered for sale in the London market on Monday each week. Interest hinges on the question whether the Bank of England will get this gold. Often there is competition and bids will be entered for all or part of the gold, on behalf of parties representing the Bank of France, the Bank of Germany, or another of the great European state banks; and on occasions New York will make strong bids and succeed in bringing the yellow metal to this side of the Atlantic. It will be interesting to trace the progress of this gold from the mines to its market. It is, of course, raised from the earth through the shafts of the various mining companies operating on the Rand. These companies dispose of their output regularly to their bankers in South Africa. The banks there buy the gold from their customers, the responsible mining

companies. They pay for it through crediting the purchase money to the accounts of the mines. In settling the price which they will pay they are obliged to take account of the cost of transmitting the metal to London—on which steamship charges, insurance and interest all figure.

Then, on regular days each week, the gold is consigned to London. The South African banks get from the steamship companies bills of lading covering the shipments. These bills of lading they transmit to their London agents. Most of the South African banking institutions are English, and have their head-offices in London. The banks which forward the gold are aware that they will get for it in London at least 77 shillings and 9 pence per ounce. For the law requires the Bank of England to pay that price for all gold of standard fineness presented to it.

There is a possibility that the gold may sell for a higher price. If there is competition for it other parties may bid higher and if the Bank of England wishes to secure it, the bank will meet the higher bids. At these weekly sales it is the unwritten law that at whatever price is fixed upon for the gold the Bank of England shall have the say whether it will take the metal at that price. Thus, suppose an outside party bid 77 shillings and 10 pence for the gold, the Bank of England would be given the chance to take it at that price and if it refused the other bidder would get it.

For such gold as it purchases the Bank of England increases its liabilities correspondingly. The gold will be purchased either by means of an increase of its deposits or an increase of its note issues. Thus, suppose we read that the Bank of England secured \$3,000,000 of new gold on a certain Monday. There will ensue an increase of that amount in its holding of specie and an increase of that amount in its liabilities. The effect would be to increase the proportion of reserve to liability and that always has a tendency to increase the bank's capacity for supplying funds to the money market.

Although the British Mint is required by law to pay 77 shillings 10½ pence per ounce for all gold tendered to it none of this new gold goes directly to the Mint. When the members of the United States Monetary Commission were gathering information in Europe regarding the various European banking and currency systems they had an interesting conversation or conference in London with Lord Swaythling on the matter of the Bank of England's operations in the gold market. The Commissioners asked him, "What is the actual value of gold coin?" The answer was "The full weight sovereign is 77s. 10½d.; the Bank buying at 77s. 9d., or anything under 10½d., makes a profit."