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THE GENERAL FINANCIAL SITUATION.

On Monday this week the Bank of England increased its stock of gold on balance by $1,000,000. European conditions have not had a great deal of weight upon the general international situation this week. The attention of the financial world has been concentrated upon New York. Bank rate in London was again reduced and is now on the 3 p.c. level. In the market, rates are about the same as a week ago. Call money 2½ to 2¾; short bills, 2⅝; three months bills 2¾. On the Continent the Bank of France and the Bank of Germany have maintained their official rates at 3 p.c. and 4 p.c. respectively; the market in Paris is 2⅛, and in Berlin 3⅛.

What happened at New York has been of a nature to cheapen the price of liquid capital. Call loans are quoted at 2¼ to 2¾ with most of the business at the higher level. Sixty day loans, 3½; 90 days, 3¾; six months 4 to 4¼. On Saturday the associated banks reported a loan contraction of $1,536,000, a decrease of $4,100,000 in cash holdings, and a fall of $2,800,000 in surplus. The item now stands at $21,096,100. The probabilities are that the results of transactions put through since last Friday will be to effect a material strengthening of the bank position during the current week. The trust companies and non-member state banks reported a loan reduction of $1,340,000, and a cash increase of $1,300,000. Their percentage of reserve to liability fell from 17.7 to 17.1.

Financial interests all over the United States, in Canada, and in Europe are intensely interested in the outcome of the railroad rate situation in the neighbouring country. Briefly the position is as follows. The United States railways have been confronted with rising costs of operation in the past few years. Iron and steel, labor, in short all that the railways have to buy have been going up in price. Just a short time ago the principal roads were obliged to take action on a demand by their employes for a sharp rise in wages. If they refused a big general strike was threatened. They yielded and the result was a further rise in costs of operating. The railway companies had filed notice that on 1st June, this year, a general advance in freight tariffs, would take place. The mercantile and manufacturing organizations resisted this proposed advance in freight rates to the extent of their power. At the eleventh hour the Taft administration at Washington obtained an injunction restraining the railways from making the advances. The injunction was granted, not because the Government charges that the increased schedules were unreasonable but because the railway companies had acted together in the matter, and thus laid themselves open to the charge of "conspiring together in restraint of trade." Naturally the stocks of the principal railways affected fell with a crash. The speculative assumption was that if the railways were prevented from increasing their freight rates some of them would be driven into bankruptcy and others compelled to lower their dividends. Some critics are of the opinion that the Government's move was designed to help the Taft party out of its tariff muddle. An attack on the railways on the question of freight rates should be popular, and might reconcile a number of voters who are feeling antagonistic because of the failure to lower the tariff in accordance with the general expectations. However it is just possible that if the freights cannot be advanced the efforts of the railways to preserve their solvency and their existing dividend rates —through curtailing expenditures, reducing their staffs of employers, etc.—may bring about a state of affairs which will react with considerable violence upon the Taft administration. In the end this policy may bring them more unpopularity than popularity.

Apart from these considerations it is to be observed that the drastic liquidation that has been effected in three of the most important of the speculative markets—stocks, wheat, and cotton—must have a very beneficial effect upon the monetary position. Vast amounts of credits have been released, and one result is that Europe is relieved of considerable prospective borrowing there by American bankers. The ability of New York to finance itself has been enhanced. Indeed some close observers say that even if nothing had happened in the matter of the railway rates the conditions prevailing in the New York money market would have forced, sooner or later, a liquidation of the stock market position.

The Canadian markets have been undergoing a sympathetic liquidation and decline. The process here has, however, been of a more orderly nature, and has not been accompanied by such gloomy