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THE LONGER OUTLOOK.

Now that the stage of panic has clearly passed in New York, the anxiety and uneasiness gradually dying away, people are beginning to give more attention to what may be the banking position in the course of a couple of months from now. The first intimation of a decided improvement in sentiment and in position would naturally come from the stock market. The trading in stocks and the course of prices always furnish a more or less accurate reflection of what is to be expected in the immediate future. In the last two weeks the markets both here and in the States have given some strong evidences of returning confidence. The thing that is perhaps most sure to happen, if this panic is anything like previous panics, is that in a very short time the clearing house banks in New York city will have replaced the deficits in reserve by very large surpluses. The lessened deficit shown in last Saturday's bank statement would indicate that this process of recovery has now begun.

The New York Evening Post has pointed out that the present panic is following almost exactly along the lines followed in 1893. In that year the deficit reported by the clearing house banks was cleared away and a huge surplus accumulated within a few months. It might be observed too that what difference there is in the conditions this year as compared with 14 years ago is in favour of the accumulation of an even larger surplus than at that time. The panic of 1893 developed in mid-summer before the crop movement had commenced. And when it was over, the money flowing back into the banks, the tendency towards large reserves was checked for a time by the normal movement of cash from the centres to the interior for financing the crops. This year the panic developed in the latter part of October when the crop demands were about at the maximum. Consequently there was added to panic-proper withdrawals from New York the regular autumnal demand for currency. So it is reasonable to expect a back-flow of much

larger importance than occurred in 1893, once confidence is thoroughly restored. In restoring confidence, probably the most important single factor will be the resumption of cash payments by the banks. So long as payments are restricted, the policy operates to check depositing in the banks even by people who are not afraid for the safety of their money. They would not be very much disposed to deposit cash—where it could not be drawn upon at will.

Then, another point is that the gold imports from Europe have been much larger this year. Probably the greatest of the additions likely to be made to the bank reserves will be the resources set free through the slowing down of industry and trade. From that cause money will be set free in large quantities from every quarter of the Union and probably from the Dominion as well. There is hardly a question but that the general range of prices of all kinds throughout North America will be considerably lower as one result of the credit break-down. Though credit has not broken down in Canada, we always feel the effects of a general lowering of prices south of the boundary. In some respects that prospect is not without its advantages. For while particular parties will suffer some loss through the readjustment of prices to a lower level, the consuming classes will be able to live more economically, and, once the readjustment is made, businesses of all kinds should be in sounder position because of the lowering of costs.

There are some reasons why it may be that the easing up of money conditions will proceed more rapidly in the States than in this country. In the first place the disorder existed over there in its acutest form. The plunge downwards, so to speak, was very violent; and the rebound should therefore be correspondingly more important. Here everything has been orderly. There was no break down of any description. The banks had perfect control of the situation, and what liquidation became necessary was done decently and quietly, or else postponed to a more opportune time. Then, so far as the crop-moving burden is concerned, the United States method accomplishes the work at once when the currency is paid out, though at the expense of deranging and upsetting affairs in the reserve centres. Under our system the work is not finished till the extra bank notes issued in the fall are redeemed and got in again by the banks. These notes will not be all paid for till the end of December or beginning of January. While the process is going on there is commonly some contraction in bank advances.

It might be said that the people of the United States had purchased perhaps a larger measure of relief from financial stringency by the quite exceptional agony they have suffered and are yet