

# The Chronicle

## Banking, Insurance and Finance

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### GENERAL FINANCIAL SITUATION.

The new gold arriving in London this week—\$2,500,000—was shared between India and the Bank of England. The official rate of discount in Threadneedle Street remains at  $3\frac{1}{2}$  p.c., the figure instituted last week. In the London market there was some hardening in rates. Call money is  $2\frac{1}{2}$  to 3; short bills 3-16 to  $3\frac{1}{4}$ ; three months bills, 3 to  $3\frac{1}{16}$ . On the continent rates are about the

same as a week ago except that the Paris market has softened. The open rate there has again fallen to 23-16. At Berlin the market is 3. The Bank of France still quotes 3 p.c., the Bank of Germany, now, 4.

New York money rates have tended downwards during the week. Call loans are  $2\frac{1}{4}$ ; sixty day loans,  $2\frac{3}{4}$  to 3 p.c.; ninety days, 3 to  $3\frac{1}{4}$ ; and six months,  $3\frac{1}{2}$  to  $3\frac{3}{4}$ . One of the principal causes of the flatness of the money market is the decline in commodity prices. This is a most gratifying feature and is one of the most important of the factors contributing to the creation of sound basic conditions. Important declines in prices of wheat, cotton, copper, meat, dairy products, etc., have relieved the monetary position immensely and at the same time made it possible to carry on operations in sundry lines of industry at a profit. It is said that the railroad and industrial concerns have been materially benefited by the readjustment in prices. They can now operate more cheaply and some authorities say that general freight rate advances are not now so essential to the prosperity of the great railway systems. Also the sensible decline in the cost of living, with the prospect perhaps of a further decline if the reciprocity pact is ratified, has noticeably moderated the demands of labor unions for higher wages. This steady pressure from the unions for increased pay constituted one of the most dangerous elements of the railway situation in the United States; and it is highly gratifying to see that the position is improving through the operation of old fashioned rules of economics.

On Saturday the clearing house banks of New York City were able to report an increase of surplus amounting to \$3,872,000. It came about through a loan contraction of \$3,870,000 and a cash gain of \$3,600,000. The addition thus made to surplus brings it up to \$30,641,725. The trust companies and non-member state banks reported a loan expansion of \$12,200,000, and cash increase of \$2,500,000. Their proportion of reserve to liability rose from 17.3 p.c. to 17.4 p.c.

It has been noted that the demand for sterling exchange in New York has been keen and insistent. Notwithstanding the extensive participation by European investors in security issues emanating from the United States and the heavy surplus of exports in the foreign trade, quotations for exchange remain on a high level. Some authorities explain this as being due to heavy repayments of borrowed money by New York to London. New York's borrowings abroad a few months ago were notoriously large. Now that repayment is being made the transactions thereby necessitated have the effect of neutralizing almost entirely the