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THE GENERAL FINANCIAL SITUATION.

Most of the $5,000,000 African gold offered in London on Monday was taken by the Bank of England. The official discount rate of the big English bank remains at 5 p.c. In the London market money is still in strong demand and rates have not fallen as much as expected. Call money is 3½ to 3¾ p.c.; short bills, 4 9-16; and three months' bills, 4 9-16. At Paris bank rate is 4 p.c. and market rate also 4; at Berlin bank rate is 6 and market rate 4¾.

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Europe has been much perplexed over the outcome of the peace negotiations. Turkey's refusal to surrender Adrianople, if final, threatens to cause a renewal of the war; and financial Europe has been feeling greatly depressed thereat, because the cost of the hostilities already has been very large. If the conflict is resumed, it may not come to a speedy end; as it is quite possible that the Turks may have more success than they had in the earlier stages. It would seem to be the part of wisdom for the allies to be forbearing in their demands. Their armies are far from the home bases; and the task before them promises to be much more difficult if the war is renewed. In the meantime business conditions in Austro-Hungary and in other Southern European countries are deplorable. The Balkan States are still under moratorium—that is to say, the creditor classes in those countries and in other countries are debarred from collecting debts. Parties in outside countries having claims on merchants in these states for goods supplied, in many cases, will probably never get their claims paid. What has happened can be taken as a general repudiation of debt on a large scale. Needless to say this will react with the utmost severity against the nations or states which do not pay their debts. It will be some time before the merchants and business people of those states are able to secure any goods from abroad on credit. Foreign merchants will stipulate in most cases that the payment be in hand before the goods are shipped.

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In New York money rates are further reduced largely because of the continued heavy flow of currency from the interior and also because of the fears and nervousness engendered among holders of securities by the pernicious activity of certain legislators and legislative committees. With their mistaken notions that big business of all kinds is inimical to the public interest, they have been pursuing the railroads, banks, and other corporations until they have succeeded in awakening genuine alarm among the investment classes throughout the whole country. Even when the reforms they seek to effect are proper and desirable they are disposed to press for them in a manner that is injurious to the interests of the nation. The probable effect of these crusades will be to discourage the investment of new money in extensions, etc. Last year Canada built over 2,200 miles new railway mileage; the United States, with 12 times Canada's population, built only 2,000 miles. And the newer South Western states and the Pacific states need new railway mileage as much as Saskatchewan and Alberta need it.

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Call loans in New York have fallen to 2¾ p.c.; sixty day loans 4 per cent.; ninety days, 4¼ p.c.; and six months, 4½. The shipments of cash arriving in New York from the interior are enormous. The clearing house institutions on Saturday reported a cash gain of $21,300,000. Owing to their extraordinary receipts of cash they have been enabled to take over a very large amount of loans which were shifted to outside institutions during the season of monetary strain. Hence a large loan expansion—it amounted to $60,586,000. The increase of excess reserve was thus reduced to small figures—$1,284,750. However, the excess stands at $15,139,000, and as the banks have taken up the shifted loans they can presumably pass them over again to the interior banks if the occasion arises. The banks alone reported a loan expansion of $50,887,000, and a cash gain of $21,600,000. Their surplus reserve rose $3,210,000—from $12,193,750 to $15,403,750. Aggressive bear attacks induced by the uncertain outlook served to effect extensive reductions in the quotations of Wall Street stocks and liquidation of accounts carried by the brokerage houses.

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In Canada business has proceeded in the ordinary manner except that the volume of transactions continues to be very large and profits are presumably eminently satisfactory. Call loans in Montreal and