Prominent Topics

Cycles Incidental to Progressive Prosperity.

It is not to be wondered at that theories as to the cause of panics are varied. The influence of an increase in the number of sun-spots has been as earnestly discussed as the effects of inelasticity in currency. Mere theorizing remains inconclusive, and even those who most carefully combine reasoning with observation do well not to dogmatise. Yet the study of successive panics during the past half century does seem to establish certain interesting sequences of general cause and effect.

"Panics—the Penalty of Prosperity and Progress!" One would need to hazard but a single guess as to the source of that summing-up—to wit, the scare-headings of a New York "yellow." And yet, for once, there is partial truth as well as poetry conveyed by screaming type and alliteration's artful aid. It might have been nearer to prosaic reality to have characterized panics as an incident to prosperity and progress—but the alliterative symmetry of the headline was not to be sacrificed to bald fact.

It is a far cry from a flamboyant New York daily to the quarterly Journal of the Canadian Bankers' Association—and fortunately so. But in the current number of that publication also, attention is drawn to the connection between financial crises and economic progress. Prof. A. W. Flux points out, in a timely series of articles which he is contributing, that commercial crises are due to varying states of credit—hence the comparative freedom from such disturbances, of countries having no extensive commercial and financial development. The farther a community progresses from the primitive state of mere barter, and the more developed its employment of credit becomes, the more sensitive and "high-strung" does its economic system tend to be. That there were commercial panics in the paleolithic age is as unlikely as that our cave-dwelling forefathers suffered from nervous prostration. The body politic and the body physical have alike evolved for themselves new ills incidental to the benefits of an achieved civilization. But the ills should not blind the observer to the advantages gained. In the economic progress of the race the careful student is impressed with the steady growth of the business of the world rather than its temporary interruptions. As Prof. Flux remarks: "Each succeding wave of prosperity reaches, as a rule, a higher level than its predecessor, while the depth of adversity into which we descend, though marked strongly against the preceding property, generally fails to carry us a low as was reached in earlier times of distress."

Some Encouragement in New York Bank Statement.

In spite of an increase of $1,740,000 in the deficit—bringing its total to nearly $54,000,000—the Saturday statement of the New York Associated Banks was not without its features of encouragement. In the first place, the loan expansion of some $4,300,000 was moderate, suggesting that loan certificates had been cancelled to a considerably greater extent than had been imagined. Then, too, there was evidence of the banks taking out new circulation, the total of about $55,850,000 being nearly $3,000,000 greater than the week before. The cash loss was small—$1,135,000—but it had been hoped that there would be a gain instead. However, it was felt that the severe drain to the interior could not much longer continue, for the simple reason that the out-of-town deposits had been nearly all drawn out. It is to be noted that the percentage of reserves carried against all deposits was still above 20—or less than 5 p.c. below the legal requirements.

What may be termed the sentimental effect of the bank statement is a decided factor at a time of financial unrest. Past experience has demonstrated that recovery of confidence—with consequent release of private hoardings—is slow to begin until the bank statements show distinct signs of improvement, indicating that gold importations are effecting a normal reserve level. Once the interior demands are somewhat checked, New York is able to keep the new arrivals of foreign gold, but not until then. After the panic of July 26, 1893, despite large importations of gold, the bank statement continued to show an increasing deficit until August 26—the Saturday corresponding to to-morrow with relation to this year's panic of October 24. By analogy, and judging too from present conditions, The Evening Post inclines to the view that to-morrow's statement will show a substantial decrease in the deficit.

A comparison of the statements for the past two weeks follows:

	Nov. 9	Nov. 16	Change.
Total reserve........	$219,794,900	$218,659,000	d. $1,135,900
Reserve required against all deposits........	271,719,525	272,325,950	i. 606,425
Deficit.....	$51,924,625	$53,666,950	i. $1,742,325

At the World's Financial Centre.

All things considered, the London stock market of the week ending Saturday was remarkably steady, though Friday witnessed some depression owing to the fear of a further increase in the Bank of England rate, despite the excellent mid-week showing of that institution. However, on more favourable reports from America on Saturday, the signs of market depression began to wear off. Investment purchases of American stocks continued during the week.

On Monday great relief was generally expressed in London at the action of the United States Treasury, and markets showed considerable returning strength. Paris and Berlin bourses were also most favourably affected. Tuesday brought some reaction in London, after the first flush of relief at American news had passed—there being disappointment at the course taken by the New York market, and a disposition to await the result of the Treasury's action.

While it was understood by Wednesday that there would be no rise in the Bank rate this week, London market feeling was uncertain as to American conditions. Discounts were firm at 6⅞ p.c., owing to continued American demand for gold, and the report that a portion of the new United States Government issue would be placed in Europe. Con-