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THE SLUMP IN NEW YORK.

The heavy liquidation and violent declines in the New York stock market last week and this have pretty much monopolized financial attention lately. Last week the fall was quite stupendous. Comparing it with the slump of 9th May, 1901, the Wall Street Journal finds that then the average price of the twenty railroad stocks taken declined three days continuously, viz., the first day .63, the second, 5.43, and the third, 8.35 points. This time there were two big days of decline: on the first day it was 5.01, and on the second, 7.81, making a total fall of 12.82 in two days, as compared with 14.41 in three days in 1901. Furthermore the break 6 years ago followed an important rise; the present one came after a decline that had been in progress almost from the beginning of the year.

More than a dozen reasons have been put forward for the extraordinary occurrence. Probably the most important single cause is the monetary stringency. Some of the depressing effects of this we have experienced here at home. Many would-be purchasers of stocks have been prevented from carrying their intentions into effect because of the scarcity of bank funds. Happening, as it usually does, at a time when nearly everybody is convinced that the market is near the bottom the hardship is quite considerable.

The situation in New York is particularly interesting. Things have been complicated there by the issue of large amounts of railroad notes. Ordinarily the railroads procure the funds they need for betterments, improvements, etc., through the issue of bonds. But the bond market has been declining for some time, and, a short time ago, conditions were such that the bankers for the railroads could not undertake to float bonds except at terms considered ruinous by their clients. As a number of improvements and extensions were under way and had to be completed, and as their equipment had been proved notoriously deficient, and as they had to have money for these purposes, the railroads met the difficulty by issuing two and three year notes. Though the rates of interest on these notes were very high, ranging from 5½ to over 7 p.c., it was considered better policy to pay them for a couple of years than to burden themselves for long terms of years with bond issues carrying 5 p.c. or more. But the significant point about the big note issues is that they absorbed a large part of the funds usually held for other purposes. The chief reason for the decline in the bond market was the scarcity or timidity of investment capital. When the railroad notes were issued they were largely taken with money customarily employed in the short loan market. Thus the supply available for speculative purchases was reduced.

A peculiar feature about the present situation is the fact that a considerable part of the notes have been taken in Europe, and it is believed that, as a consequence of the European purchases, New York bankers have large credit balances in London at the present time. But notwithstanding this it is hardly thought, in the best informed quarters, that much relief will come to New York through gold importations from Europe. The reason is because Europe's financial position is itself unsettled—neither London nor Berlin is in shape to stand much strain without being upset. So, therefore, the position appears to be that either the London bankers stipulated when they took the railroad notes that the credits were not to be used to take gold to America in large quantities, or the New York bankers are afraid to press too vigorously for gold for fear it will precipitate a selling movement by Europeans of American stocks, bonds, etc.; for if it did, it would make things worse in the New York stock market without perhaps getting much European gold. So, therefore, many important financiers have aparently come to the conclusion that this year New York must stand on its own bottom and finance its own affairs. Holding that belief it was natural that the banks should proceed to strengthen themselves by calling in their loans from the pools of rich men who have been operating so heavily of late. Thrown on their own resources it was the only thing left for them to do, if they would prepare for the approaching spring demands for credits. Accompanying the decline, of course, there were the usual fanciful stories of great capitalists with hands at each others throats. Sober headed observers do not, however, place too much stock in tales of this kind. Great capitalists cannot, as a rule, injure other capitalists in this manner without doing themselves great harm, and they are never over-ready to do that.

There are two other circumstances that have had noticeable effect in disturbing the market's confidence. One is the fear that the recent wage increases and the rise in construction materials will have the effect of cutting into railroad net earnings.