

### CONDITION OF THE UNITED STATES MONEY MARKET.

There is every symptom of a general restoration of confidence and of a return to the ordinary condition of things on the other side of the border. Money has continued easy for a considerable time, and this week there has been a healthier flow of legal tenders from all points of the interior to New York. Deposits in banks have increased; some \$3,000,000; stocks in Wall Street are generally buoyant; mercantile paper is commanding higher credit generally, in consequence of the very cautious way in which business has been conducted for some time back, and the liquidations that have been steadily proceeded with arising out of the revulsion of 1873; are mostly drawing to a close, and they have generally been carried through in a perfectly satisfactory manner.

The banks have for a long time been extremely cautious about employing their funds in the channel of ordinary discounts, preferring to make advances on stock exchange securities; but they are now appearing as purchasers of mercantile bills.

The bill business of New York, like that of London, is very largely in the hands of a class of brokers, who make a specialty of both buying and selling them *with* recourse, or *without*, as the case may be. A banker having funds and desiring to discount, can at any time have his choice of hundreds of transactions which he can take up or let alone as pleases him from day to day.

The ease and convenience of this to a banker as compared with the carrying of heavy lines of accommodation as is done here can be well appreciated by those who have been pressed for discounts during the last two or three months. Here, the banker carries the load of his customer's business. If he stops discounting, it is a question if his customer will not stop too. Pressed as he may be for funds to meet the demands of depositors and note-holders, he is often pressed at the very same time by his mercantile customers who must have more money to meet payments in England, or to pay duties at the Custom House. Hence the peculiar stress and burden of a banker's position in Canada as compared with that of his brethren in New York. No doubt these have their difficulties too. But this difficulty is one they know comparatively little of. If they want to discount, they can do it without being bound to continue it. If they wish to call their funds in, they have nothing to do but to let paper mature and be paid; for paid it generally is. In these transactions they do not see the merchant or know him at all. They deal with the broker alone.

It is also a convenient place for the borrower as well as the lender. Merchants that have large batches of customer's paper can go to a broker or broker's, and sell it without recourse; that is, they are not to be called on again, even if the paper is not paid. Of course this costs them a higher rate. But then it saves them a world of worry and anxiety. It keeps them in an easy position financially. They have nothing to do with financing for their customers, or helping to meet their paper. They have done with it entirely. Then their liabilities are kept down, and though the rate of discount may be two or three per cent. higher, they can well afford to pay the higher rate, in order to escape the subsequent risks. There is occasionally a little of this done in Canada with the banks. Merchants will sell their customer's paper out and out to a banker, instead of discounting it in the ordinary way. But what is a rare exception here is the ordinary rule in centres like New York and London.

Mercantile houses also who desire to negotiate such loans as bankers generally undertake here will arrange to sell their own notes to brokers. Paper of this class, sometimes endorsed, but often not, is to be found by the million, in the hands of bill brokers in New York. Firms in all parts of the country raise money in this way. Railway companies, and manufacturing companies too, are constant customers. The paper of certain houses and certain railways is constantly quoted on the bill market, and the value of names and guarantors is as accurately gauged as the price of wheat or iron. Of course the current quotations are only for first-class names and generally for paper not over two or three months.

The Treasury is expected to make heavy disbursements of gold for interest during the month of June. What effect this will have on the price of gold and sterling bills remain to be seen. It must always be remembered when considering the ease of money in the States, and the low rate of interest prevailing there, that this is all for the currency of the country, not for gold. At present gold is dearer than it has been for a long time back. A premium of 15½ is a heavy tax on the conversion of American money into the currency of the world. Long ere this it has been confidently hoped that American currency would be worth par and redemption in specie begin again. Schemes in abundance have been discussed with a view to bringing this about, and one notable bill has been passed through Congress. But all legislation on the subject, except legislation to contract issues, is mere tinkering with the question. The

United States are actually at the present moment no nearer specie payments than they were five years ago. It is interesting to note the value of gold from time to time during that period. Thus:

May 1, 1870.....	115
“ “ 1871.....	111 <sup>3</sup> / <sub>8</sub>
“ “ 1872.....	112 <sup>1</sup> / <sub>4</sub>
“ “ 1873.....	116 <sup>7</sup> / <sub>8</sub>
“ “ 1874.....	112 <sup>7</sup> / <sub>8</sub>
“ “ 1875.....	115 <sup>3</sup> / <sub>8</sub>

How long this kind of business may last passes the wit of man to tell. The nation raises a terrible outcry whenever contraction is spoken of; but contraction is the only possible way to specie payments. What is the reason that these notes are at a discount but that there are too many of them for legitimate business. Contract the volume and they will rise in price, and when they have risen to par by the force of circumstances, then specie payments will be a matter of course.

Meantime it is satisfactory to us that we are on a gold basis. Money may be scarce and dear; but, when we get it, it is real money after all, and money available to pay our debts all over the world.

### THE PRODUCE TRADE.

A considerable movement in wheat is now going on, and in a channel which is somewhat unusual. It is more profitable to ship to New York than to Montreal, and considerable quantities are taking that route on their way to Europe.

New York is making at length strenuous efforts to recover a large trade which has been gradually diverted to other channels. For some time her merchants felt so sure of her unquestioned supremacy that they almost ridiculed the idea of any serious rivalry on the part of others. But the course of trade of late years has taught them a different lesson. Montreal has become a serious competitor for the trade of the Western States, and year by year the St. Lawrence route has grown into favor and importance. As Canadians we could not but rejoice. And though the trade has not brought much profit to the merchants engaged in it, the country at large has undoubtedly been benefitted. It has given employment to numbers of our people on the route, and found freight for a large amount of shipping.

Heavy losses, however, were incurred last year, and the New York merchants seem disposed to think the present a favorable time for striking a blow to recover their former supremacy. What with the reduction of Canal Tolls on the Erie, and cheaper