directors could go into such transactions with money borrowed from their own company, and then come out of it owning practically all the land company stock, the only actual cash, apart from that of the Union Trust, being put up by himself and another small shareholder.

GOLD IMPORTS AND NEW YORK.

The money market situation at New York has become more than usually interesting. The two prime facts in the case are, first, that the New York banks enter the crop-moving period with cash reserves at record low levels, and second, that a big speculation in securities is on, having been induced by the continuing great prosperity, and by the numerous dividend increases recently made.

Under the old fashioned methods the banks would allow their stores of cash to accumulate in preparation for the extra demands which they knew would be made upon them in the autumn. In comfortable time, before the pressure was to be expected, loans would be recalled, if necessary, from stock-market borrowers; and the banks would endeavor to place themselves in position so that they could think complacently of the prospective heavy drafts of their interior correspondents and customers. Some banks still hold to the old fashioned rules. But there are some—among them very powerful institutions—which have come to practice a different policy.

It is not uncommon for great banks to enter the period of pressure with small surplus reserves, though owing heavy balances to interior banks, balances which are certain to be extinguished or heavily drawn down in the course of a few weeks. In their policy these banks are showing a greater and greater reluctance to disturb the stock market by calling in their loans. They prefer, instead, to provide the funds necessary to meet the drafts from the produce fields, by importing gold from Europe.

Thus it is that we have seen engagements of gold in London for New York amounting to as high as fourteen million dollars in one day at the beginning of the second week in this month. The bankers have also made urgent appeals to the Washington Treasury for help. But, although stock speculation has been pretty active for a long time, and a very recent outburst by the speculators was largely responsible for wiping out the surplus reserves, the intention evidently has been to refrain from calling stock-market loans until every other resource becomes exhausted.

A very curious view of the different ideas held by two classes of banking opinion in New York is obtained from two interviews published by the "Evening Post." The first is by a banker "who is more or less personally in touch with the people conducting the present stock speculation." He says "I think we shall emerge from the entanglement of the present situation all right, although it may be necessary for Secretary Shaw to give greater assistance to the money market. * * * * * * It is unfortunate that the speculative movement engages such a large amount of money at a time when the mercantile demand is pressing. But I think I see our way out of the present difficulties. Secretary Shaw may be depended upon to take further steps to relieve the money market if additional assistance is needed."

The second interview is by the president of an important bank, almost exclusively identified with the mercantile business, and with scarcely any Wall Street connections. He says, "I think that the merchants will get what money they need notwithstanding the difficulties that the speculators have put in their way. There are still breakers ahead if the campaign for higher security prices is not brought to a halt. I think it will be, for even the banks that are interested in the speculative movement must know that the stock market cannot be put 15 points higher without precipitating complications which they would hardly care to wrestle with. It is nonsense to think of such a thing."

In Canada the main business of all the banks is mercantile. Their best customers are manufacturers, merchants, and others engaged in industrial operations. Their stock market loans are an "aside" and the banks increase them or decrease them according as the mercantile demand falls off or grows larger. But in New York the case is different. The financial banks there have their main business with stock brokers and big financiers. When their biggest and most esteemed customers are borrowing heavily to carry on a heavy speculative campaign they naturally hesitate to take action that would probably interfere with their customers' plans. And if the presidents and directors of the banks were personally engaged, along with the rich customers, then it would be foolish to expect the banks to pursue a policy inimical to the borrowers' interests.

Hence the great reluctance to call loans. Heavy importations of gold, such as are now being made have a tendency invariably to relieve the fears of borrowers and bankers. The new gold supplies an element of strength, because it permits the banks to expand their loans. But the real extent of the strength it lends to the situation depends a good deal upon the manner in which the gold was secured. For example, the relief would be greatest if the gold came as a result of heavy investments of foreign capital attracted by the generally high level of interest rates prevailing. But manifestly it would not so much strengthen the real position of the banks if it came merely as money borrowed abroad by the banks themselves to tide them over an awkward predicament. If it came in the first described manner and if it could be expected that it would remain for an indefinite period it could be dealt with more freely than would be the case if those who bought it were under obligation to return it after a short interval.

Probably the present importations are being made as a result of a mixture of causes—both of the above factors playing a part along with others. As it is reasonably certain that a considerable part consists of borrowed money it would not be strange if the borrowers, in order to be the better able to repay it, indulged in some calling of their own loans on this side as soon as conditions are such as to permit that to be done without great disturbance.

INVADE THE MEDITERRANEAN.

The possibility of a commercial understanding between Canada and Italy opens up an interesting question as to the future foreign trade of the Mediterranean littoral. For many years Great Britain has held the premier position in the Mediterranean market, because its way to Mediterranean favor has been paved by its first-class coal exports. The United States comes next, as it practically controls the raw cotton, tobacco and mineral oil trades in that market. Canada has yet to gain the favor of Southern Europe. The total trade of the United States with Spain and Italy alone, amounted in 1904 to $112,000,000. Canada's total did not exceed $2,500,000. Newfoundland beat the Canadian record by $1,500,000.

The Canadian exhibit at the Milan Exhibition, has opened the eyes of merchants in the south of Europe, and especially in Italy, to the fact that Canadians and themselves may become closer associated commercially. The ocean highway between Canada and Italy, Spain, and France has, as yet, been but meanly traversed. It remains for this country to dot it with freight-laden craft, thus adding a wealthy market to its export list. This can only be done by means of a