

DEAR MONEY AND ITS EFFECTS.

Request for Clearer Ideas About the Bank of England Discount Rate.

The following letter has been received from "Old Subscribers" in London, Ont.:

"An item appeared in the daily papers last week that the Bank of England would raise its rate of discount to 7%—a thing unprecedented. From the context this was evidently to have a saving effect upon the gold reserve.

"As business men, we were talking over this subject and were surprised that we could not come to a definite conclusion as to the process that would be necessary to have the effect of building up the reserve.

"Are there any governmental payments to make, as interest on indebtedness, and does a raise in the discount rate affect the rate of exchange?

"We should be much obliged to see any comments in your esteemed columns that would elucidate this matter for us."

Question of Supply and Demand.

The price of money is subject to conditions of supply and demand as any other commodity is. A correct understanding of the terms involved will make the matter clear. The Bank of England directors conclude for several reasons that it is necessary to protect the reserve of gold. Recently New York bought over forty million dollars' worth of gold in London, and other amounts were shipped abroad. They can do this in several ways, but the final and most reliable way is to increase the rate of discount. The rate of discount fixed by the Bank of England affects the current rate of interest everywhere, and both move up or down in unison.

The Bank wants gold and knows that an increase in the rate of discount will increase the rate of interest on the market and thus attract gold to London. It will be sent there in order to earn the higher rate of interest. The manner in which it will be sent is largely in the form of payments for commercial paper issued by London houses, who are anxious to obtain the gold.

Much of the gold thus attracted to London will go directly to the bank in payment for commercial bills which the bank has purchased by discount, and is ready to sell. If this source of supply is not great enough the Bank sometimes will appear in the open market and purchase the gold direct, when it is offering freely during the prevalence of the high rate of interest. In this way the Bank obtains supplies of gold and is able to apply them to the building up of its reserve.

Government Interest is Not Affected.

As to governmental payments of interest on indebtedness, these are generally made through the Bank, but are earmarked for interest payments, and must be disbursed by the Bank for that purpose alone. They could not, therefore, have any effect upon the amount of the reserve.

A change in the rate of discount has an automatic effect upon the rate of exchange. The service for which an exchange broker is paid is that of finding for his clients people who will borrow or lend the money which they desire to lend or borrow. Naturally when the rate of interest is high there will be fewer borrowers, and the service of an exchange broker will then be all the more valuable to the man who wishes to lend. The broker has harder work finding customers for the lenders, and accordingly charges a higher rate for the service of effecting an exchange. An increase in the rate of discount will therefore result in an increase in the rate of exchange.

These principles are the elementary ones in connection with the matters referred to. It must not be supposed that they are immutable laws. Unforeseen conditions may arise at any moment to upset the working of them all, but they are the forces which are at work all the time, and are only displaced by abnormal conditions.

How the whole monetary position is affected by the Bank of England's stock of gold is excellently illustrated in the following paragraphs taken from the review of the situation in Tuesday's Wall Street Journal:

It cannot reasonably be expected that time money will be loaned at less than six per cent. at New York so long as the Bank of England maintains its minimum rate of discount at six per cent. and the London open market rate keeps close to the bank rate.

The purpose of the governors of the Bank of England in raising the rate was to attract gold to London in order to increase the bank's reserve and to prevent bidding against the Bank for gold arriving in the London open market.

Secretary Shaw at once withdrew treasury aid from importers of gold into the United States, in order to give assurance to the Bank of England that the financial power of the United States Government would not be employed to interfere with the accomplishment of the bank's design. For it is essential to the financial peace of the world that

the reserve of the Bank of England shall be restored when impaired, and moreover the New York banks had already obtained all the gold that could be had.

FROM ALL OVER THE COUNTRY.

Portage la Prairie, Man.—The Twenty Thousand Club of Portage la Prairie has appointed Mr. H. Webster as publicity agent. He will remove here from Winnipeg to take up his duties on 1st January next.

Alton, Ont.—The woolen mill here has more orders than it can overtake. Mr. Dods, the owner, contemplates either a \$10,000 addition to his present mill or removal to Carleton Place.

Yellow Grass, Sask.—The number of land-seekers is increasing. New arrivals can be seen in town every day. Many small dwellings are being put up to accommodate those coming in from their homesteads.

New Westminster, B. C.—Real estate prices have gone up from 25 to 50 per cent. The Fales block was sold on October 13th for \$20,000 and resold the same day for \$23,000. The price now asked for it is \$30,000.

Parrsboro', N. S.—The lumber season just closing has been the best for ten years. Shipments for the British market will be 40,000,000 feet, an amount reached only twice before. Shipbuilding here and at Port Greville is active. Three schooners and a tug are under way.

Edmonton.—Sales of property are recorded here at from \$600 to \$700 per foot front on Main Street. Building permits will probably reach \$2,000,000 this year, as against \$750,000 last year. The assessment for this year will reach \$17,000,000, and the tax rate will not exceed 10 mills, as compared with \$6,600,000, and 16 mills last year.

Brandon, Man.—A company for the purpose of building a transfer railway, which will connect all of the existing railroads operating at that point, has been organized here, and will give added trackage and warehouse facilities. The Brandon, Saskatchewan & Hudson's Bay Railway—the Hill line—will have their tracks laid into Brandon and trains running by November 1st, thus giving Brandon a direct southern outlet.

SAID BY PERSONS AND PAPERS.

Wall Street Journal.—The modern system of doing business by trustees and directors will break down entirely, unless some way is devised by which there shall be real responsibility and real service on the part of directors and trustees.

Henry Clews.—We have recently dragged, through smart methods, over \$40,000,000 of gold from London by paying high rates for it, which has resulted in a rumpus in the money situation there. While we still have the \$40,000,000 of European gold, they have equalized it by making us carry the American stocks which they have thrown back upon us. This proves the rule that it never pays to be too smart.

F. Phillips, Lincoln Trust Company, New York.—The thing that seems chiefly to obstruct the progress of bank advertising is the fancied impairment of dignity. Dignity is an excellent thing, becoming alike a responsive person or an institution. Advertising in keeping with the institution will add to its dignity if it is that kind of an institution.

Lord Welby.—(Chairman Standard Bank of South Africa, at Annual Meeting).—The trade depression in South Africa, which has prevailed for the last three years, shows as yet but little sign of abatement. The depreciation of fixed property in the larger towns continues, while the large body of shareholders in gold mining and industrial companies suffer from a further shrinkage in the value of their investments. Figures lately published bring to view the excessive over-capitalization of the gold mining companies, and account for the unwillingness of the public to invest. The half-year has witnessed an increasing number of insolvencies and assignments.

BOARDS OF TRADE.

The annual meeting of the Barrie Board of Trade was held on Monday, 29th October, when the following officers were elected:—Hon. President, H. Lennon, M.P.; President, James Vair; Vice-Presidents, H. B. Henwood, and M. J. Frewley; Secretary-Treasurer, J. J. Gibson; Council, H. J. Grasett, D. H. MacLaren, S. Wesley, Geo. Bail, T. Beecroft, J. J. Brown, J. C. Irwin and H. H. Strathy, K. C.

About 250 people of St. Pierre and Miquelon, the French islands off Newfoundland, are on the way to settle in Quebec on free grants of land from the Provincial Government.

Kent and J. M. Wilson. their plans, and have ed for complaints to be out of contracts. G. W. way. is connected with from the railway, and way, is an officer of the er tenders were always s were awarded. t the road is being run directorate badly needs said the stock holdings a comparison with the to their policy. The gest holders, is under- fact, it looks as though a premium has simply a bottle full of wrongs,

OF TORONTO.

the Toronto Consumers' Outside the reports er, the only important resident, Mr. G. R. R. to drag the Gas Com- excited state of pub- rectly to the affairs of ment of the strain he ed him of the bank's investigation into the ot a blot on his honor

of the company, was Austin vice-president. the board of directors eckburn's resignation. imposed of the follow- W. Austin, vice-presi- W. Mortimer Clark, Le M. Grasett, M.D., James Hoskin, K.C., s. Long, E. B. Osier,

following facts in re- put of gas for the year n increase of 163,704. r last year. Over 16 y a total of 318 miles. ed. The new retort completed and a coal ess of construction. a stack of retorts and 500,000 cubic feet per ll the other apparatus would be ready by it was proposed to ne number of elective ed. The number of mber 30 was 1,026, an rs was 43,860, an in- ted to \$1,136,884, an

y as presented by the n. showed a balance \$500,952, an increase \$500,952, and the in- pany, making a total

	Increase.
... \$236,770	\$16,843
... 6,574	1,659
er	
in	
... 170,653	8,762
... 26,844	6,385
... 64,085	64,080
pts are as follows:—	
\$ 82,723	\$ 10,455
1,136,884	130,463
11,582	1,459
0.133	3,717
1,506	86
\$1,241,830	\$146,180

by Consolidated the pounds of refined the current year will an average profit of profit.