

DIFFERENCES IN THE RATE FOR MONEY.

In a New York financial journal for the 6th of July, the following rates were given for the use of money on various classes of transactions:—

For loans made from day to day, repayable on demand, secured by saleable stocks and bonds 1½%
 For loans secured by first-class commercial paper at short date 3½% to 4%
 For similar loans on second-class paper at longer date 4% to 4½%
 For similar loans on one-name paper and six months to run 5% to 6%
 For loans in western cities rates rule somewhat above these quotations, according to distance and the nature of the transaction. In Kansas City loans to cattle-men rule, at present, from 15% upwards, say 15%

Our readers will note that all these varying rates are charged for the use of the same commodity, viz., money, and at the same time, and in the same country.

The money lent in Wall street at one per cent. per annum is money of exactly the same kind as that which is lent on the same day in Kansas City at 15 per cent. per annum. To a superficial observer these may appear incomprehensible facts. Some might be disposed to call them incredible. But they are not taken from a novel nor a story book, but from a financial journal whose sole business it is to report facts as they are. And that the quotations above stated represent real and ordinary facts, all who have to do with financial operations are well aware.

There is a theory with regard to money which seems to be contradicted by the above facts, viz., that if there is any great difference between the rate for money at one point and another, capital will flow in and be transferred to the dearer point, so as to equalise matters; a statement that is, in its abstract form, perfectly true. As applied to existing circumstances, however, its application is entirely false.

Some persons would say, why cannot the Kansas cattle dealer get his money in New York at one and a half per cent., when money is to be had there at that rate? Why should he pay such an enormous percentage as fifteen per cent., when in a place that can be reached in an hour by telegraph men are borrowing so cheaply? On the other hand, why do not the men who are lending their money in New York at one to one and a half per cent., send it to Kansas City and lend it to cattlemen, and get fifteen per cent. for it?

These are practical questions and well worth studying. To begin with, we may be sure that there are good business reasons for these diverse rates. No man will pay any more for the use of money than he can help. We may be very sure of that. On the other hand, no man will lend his money at a rate lower than he can get for it from another party. We may be equally sure of that, too. The rate for money depends upon the varying conditions under which the loans are contracted. There is a reason, therefore, for these different rates. Now what is the reason?

To begin with New York and Kansas City. The reason why men are willing to lend money from day to day in New York

at such a low rate is, that there is a very large amount of spare money of banks and bankers not immediately required for ordinary business, but which they are willing to lend at the best rate they can get for a day at a time, until they want it. The Kansas City cattle dealer could not borrow money on these terms. It would not at all suit his manner of business.

The essence of these day-to-day loans is, that the call must be responded to on peril of the security being realized upon at a day's notice. This brings up the question of the character of the security. The security taken by the lender from day to day is such as can be sold any day, without the slightest hitch, trouble, or difficulty. A banker lends \$100,000, from day to day. He wants his money. The borrower does not pay. The lender simply gets his money by selling the security; which he can do just as easily as a man can sell so many bushels of wheat in the produce market.

Nothing is more certain than this, that a banker would not take one per cent. for money except strictly under these conditions. Any man who can fulfil these conditions can at present get the money at that rate or thereabouts. For rates have not materially changed since July.

Consider the difference between the Kansas City cattle dealer and the borrower from day to day on realizable security in the banker's own hands. The former borrows the money to buy cattle. The cattle are taken away and are scattered over immense tracts of country, far from the eye, or control of the lender of the money. The cattle are subject to disease. They are liable to die by winter storms. They may depreciate heavily in price. Their owner may drive them away and never come near the banker again. All these are practical possibilities. This is the reason why a man who lends money in this shape wants, and must have, so high a rate of interest. The transaction is so risky. It is like an extra-hazardous risk for an insurance company.

If a lender of money in New York, who is willing to take one per cent. for it, were asked to send his money out to Kansas City and get fifteen per cent. for it, he would smile; it is entirely out of his line of business. He could not risk his money in western ranches without being heavily remunerated.

Now between these two extremes, money at one per cent., and money at fifteen per cent., are all sorts of loans at varying rates. These are all governed by the same law. The lender, we may depend upon it, gets as much as he can. The borrower, we may depend upon it, pays as little as he can.

If a borrower in Buffalo hears that he can get his money cheaper in New York, it is certain that he will try to get it there. But then the lender, when asked to send his money to a city 500 miles off, will be more particular about the security, and will want a higher rate for the risk. There can be no question about this.

The rates for commercial paper, it will be observed, are graded in New York with much nicety as to the character of the transaction. There are A.1. transactions, and

transactions all the way down to such as those which no banker will take at all. The rates for money lending, other than bankers, are not quoted; but there is plenty of paper in New York itself which is discounted at ten, fifteen, and twenty per cent. on the very same day that lenders are taking only one per cent. from another class of persons.

It is exactly so with governments. The Government of England can at any time borrow at three per cent. and downwards. There are governments that cannot borrow at less than ten per cent. Some would have to pay twenty per cent. There are governments that cannot borrow money at any price, although in other respects they are strong and powerful governments.

Loans and discounts, in fact, vary in quality just as much as do other commodities.

THE IRISH COMMISSION BILL.

The Parnellite Commission bill has passed the critical stage, and it is now certain to become law. All amendments offered by the Opposition have been rejected. The chief feature of the bill is the creation of a fishing commission, revolutionary in its character. Its passage may be said to be a recognition of the fact that a state of civil war exists in Ireland. The bill takes away the guaranties which Englishmen have hitherto regarded as necessary to secure a fair trial; but it is directed against persons who are believed to have had a mysterious connection with crimes which did not stop short of conspiracy to murder men by whom the government of Ireland and of England was carried on. If any circumstances could justify the taking of evidence about the conduct of men not formally accused of crime, in a regular way, they exist in the present case. The accusation comes from the press, not from the constituted authorities; and it may be that the *Times* had access to sources of information which were closed against government detectives. But this indicates a second step in the revolutionary process.

If the commission bill can be justified at all, it can be justified only by the supreme right of self-preservation. There is probably no present danger threatening the existence of the Government or of individual members of it; though there may be danger of a recurrence of crimes into the origin of which the object is to inquire. The National League began the state of civil war of which we have here an oblique recognition. Denunciation by the press, instead of by the constituted authorities, and the enactment of this extraordinary bill, prove the second and the third steps in the revolution.

Of the danger of the removal of the safeguards which have hitherto been deemed necessary to secure a fair trial, there cannot be a doubt. If there were no party politics in question, the bill would never have passed. The danger is that malignity of littleness may carry the precedent much further than the facts would justify, and invoke the passage of a like measure when facts of the gravity of those which are held by its authors to justify the present measure