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Great Britain's Financial Strength

BANKS *Are in Liquid Position—They Will be Able to Re-establish Home Industries and Protect and Develop Foreign Trade—Should German and Austrian Banks Have Branches in London?—Progress of the Metric System.*

IF the banks of Great Britain continue to keep as liquid as they are at the present time they will succeed in the future not only in re-establishing the nation's home industries, but they will also protect and develop foreign trade to a greater extent than hitherto. This was made clear in the recent notable address in London of Sir Edward Holden, chairman of the London City and Midland Bank. Sir Edward continued:—

"There is no doubt that, while the re-establishment of our industries is taking place, there will be large demands for credit, and, in seeking to extend our foreign trade, we shall have to assist our customers to give longer credit abroad. At the same time, I want you to remember that we have only a small banking area from which to gather deposits. The population of England, Scotland and Ireland is only about 46 millions, and it is from these people, as well as from others in different parts of the world, on account of London being the financial centre, that our deposits are drawn. The total deposits of the banks of this country, excluding the Bank of England, were as follows: December, 1913, about £1,070,000,000; December, 1914, about £1,170,000,000; December, 1915, about £1,270,000,000; December, 1916, about £1,450,000,000.

"We must, however, remember that since the beginning of the war there has been, as we have already stated, a considerable amount of credit created which may be contracted when the war is over, and there may, therefore, not be the same amount of resources available as at the present moment. This makes it all the more necessary that we should not lock up our resources, but that we should keep them as liquid as possible. Having given you the total available resources of the banks of this country, let us now see how they are employed. In order to finance our exports and imports, banks and private firms lend their names and credit by giving acceptances. These engagements to accept when completed by acceptance, constitute many of the bills discounted by the banks, but we are prevented from examining the position more in detail because the statements of some banks do not show separately their bills discounted and their advances. If, however, we take the bills and advances together, the aggregate, amounting to between 600 and 700 millions sterling, represents that proportion of the deposits necessary to carry on our manufacturing and merchanting businesses. Even then we do not get a true statement, because there are in London a number

of foreign banks who do not publish a separate balance sheet of that portion of their business conducted in this country, as, for example, the London branches of the five German and Austrian banks, whose liabilities were: Deutsche Bank, £8,819,928; Dresdner Bank, £6,132,026; Disconto Gesellschaft, £6,012,175; Oesterreichische Laenderbank, £3,838,008; Anglo-Austrian Bank, £3,678,870; total, £28,481,007.

"I make no observations on the propriety or impropriety of German or Austrian banks having branches here in the future, but in the interests of London, as the financial centre of the world, I do not think it would be wise to prevent foreign banks from opening branches here, provided those branches conform to our customs and publish balance sheets showing their English position, thus coming into line with the English banks. Concessions should be made to English banks seeking to establish themselves in foreign countries similar to those made to foreign banks establishing themselves in this country, and our government ought to provide for this, because, unless the English bankers are able to open branches in foreign countries as the necessity arises, they will not be in a position to afford the same facilities for the extension of our foreign trade as they would otherwise be able to do. France, America, Spain and Italy are among the countries which ought to grant these reciprocal facilities to us. Before the war the banks invested in securities about 200 millions of their resources, but during the war they have absorbed in war loans about 300 millions sterling. Having realized some portion of the securities, they have at the present time in investments from 400 to 450 millions. The amount of the resources thus remaining would be about 350 millions, and this is absolutely necessary to protect the deposits of the banks.

"I should like here to bring before you what I consider to be a most important question, and that is the adoption by this country of the metric system of weights and measures, together with a decimal monetary system. Both these systems are at the present time in use in most countries, and there is no doubt that one of the greatest hindrances to the extension of our foreign trade is the fact that we do not present our catalogues in foreign countries so advantageously as other countries. For example, Germany, before the war, had over-run Italy with her travellers. These travellers presented their catalogues to the Italian buyers in the Italian language, and they quoted their weights, measures, and