

The demand for sterling bills occasioned by the return of securities to this side of the ocean, in conjunction with the further demand caused by the sharp rise in European discount rates, has served to put an end, temporarily, to the movement of gold to America. Paris is now enquiring for the metal and it would not be strange if some shipments were made in the opposite direction—from New York to Europe. But, of course, the developments mentioned and the continued heavy movement of American produce to Europe, will serve to give New York a very strong position in the international exchange market. The European speculators and capitalists are likely to re-purchase their American bonds and stocks—probably at higher prices—and if they do the exchange movement in connection therewith will be against Europe. Already this week on a number of days it has been noted that European purchases of stocks in New York have been in excess of sales.

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In Canada discount rates and interest rates are not much changed. The tendency, of course, has been upwards. The rise in London, if continued, promises to affect Canadian rates even more than they have been affected by the rise in New York rates. At present call loans in Montreal and Toronto are mostly on the 6 p.c. level; and the banks have shown no special disposition to mark up their rates to Stock Exchange borrowers. No doubt the drastic liquidation centering in Canadian Pacific on Friday and Saturday of last week served to clear out many weakly margined accounts and perhaps also to reduce the call loans of the banks. With London in its present condition, it is quite likely that banks having large amounts locked up in loans to municipal and other corporations which are awaiting an opportunity to issue bonds, will endeavor to get higher rates from these borrowers.

DIFFERENCES BETWEEN TWO GREAT BANKS.

A Victoria, B.C., correspondent asks us to solve the question, which is the safer, the Bank of England or the Bank of France. It would be invidious to draw a direct comparison of this kind. The constitution, circumstances of operation and policy of the controllers of these two institutions are so divergent as to render any useful general comparison in this matter between them not possible. "As safe as the Bank of England" is a phrase long since passed into a proverb that summarises the Englishman's implicit faith in the premier English banking institution. The Bank of France stands on an equal pinnacle. To say which is the safer *per se* would be as superfluous and vain an exercise as the drawing of a comparison of beauty between the Sistine Madonna and Mr. G. F. Watts' "Hope."

But while it is not possible thus to give a direct reply to the problem submitted, it is interesting to consider details of the circumstances and policy of these two great banks, regarding which some observations and useful criticism may be made. Perhaps the most striking difference between the position of the Bank of England and that of the Bank of France is in the amount of coin and bullion held in their vaults. In the middle of September the total of coin and bullion in the two departments of the Bank of England was about \$208,000,000; at the same date the gold coin and bullion in the Bank of France was some \$805,000,000 and there was, additionally, over \$150,000,000 of silver coin and bullion held. This immense disproportion is partly the result of policy and partly that of circumstances.

In no country in the world has the art of building up an enormous structure of credit upon a moderate metallic basis been carried to greater lengths than in England. English banking economy in the use of metal has often been a source of admiration. Equally, too, it has frequently been a matter of misgiving to outside observers, both English and foreign. Forty years ago, Walter Bagehot in his classic "Lombard Street" drew attention to this matter and numerous writers since his day have been equally insistent that something should be done to strengthen the foundations upon which the structure of English credit has been built. For years past, English bankers in their various organisations have been discussing the matter of a more adequate gold reserve. But nothing has yet been done, chiefly, it would appear, owing to the lack of the spirit of co-operation and cohesion which is a characteristic of English banking and to the fact that they cannot agree as to who shall bear the cost of the additional reserve.

Under the centralised system of English banking, the Bank of England is the custodian of the gold reserve of the country. But also it is the custodian of the gold store for international banking. "London," as Mr. Hartley Withers puts it, "is the only European centre which is always prepared to honor its drafts in gold immediately and to any extent." London is the world's banking clearing house, and it is clear that it could not have obtained this position had it adopted the policy of the Bank of France which has the right to make payments in silver and is not above charging a premium on gold, a practice that has the effect of checking a demand for the metal. The English banking policy has been, in fact, the more daring one, and it has been justified by its success. Confessedly, the basis of that policy now requires some modification. Foreign observers have frequently laid stress upon the traditional conservatism of the English temperament as an argument that London will continue in the old ways and so gradually lose its position as the international bank-