gress could be made in educating the farmers and small business men in the States to see they would be the chief gainers from branch banks. Industries of all kinds would also be much better off as tney could get banking accommodation on better terms and without appearing as suppliants to a half dozen or so banks.

BRITISH BANKING RESERVES IN TIMES OF CRISIS.

The effectiveness of the Bank of England rate as a defensive measure is abundantly shown by recent reserve increases. On November 7, the total reserve amounted to only $17,694,000—35¼ p.c. of the liabilities. On December 12, despite America's continued drain, the amount had reached to £23,-675,000, and the ratio to 46⅞ p.c. While last week's ratio dropped one point to 45⅞ p.c., it was still the highest mid-December showing since 1901. This indicates something of the command which a 7 p.c. official discount rate has given over continental gold—even so unusual a source as Scandanavia having added to the movement Londonwards.

In raising its rate from 6 p.c. to 7 p.c. early in November, the purpose of the Bank—merely considered as a bank—was to prevent excessive depletion of its own reserves. But the Bank of England, to quote Mr. L. G. Chiozzi Money, M.P., "is at once Government banker, holder of the national stock of bullion, and keeper of the reserves of other banks." So that although a joint-stock company, it really fulfills national functions and must necessarily be directed by national considerations involving always international results.

That all the various money market activities are co-factors in a system of which the Bank of England is essentially the prime factor, is evident from even a brief survey of their inter-relations. Such a survey is given in the following paragraph from F. Straker's admirable book on The Money Market.

"The banks gather in deposits from all quarters and lend to the bill-brokers, while leaving a large amount with the Bank of England; and the bill-brokers borrow from the banks and buy up bills from all quarters; but if the banks call their money from the bill-brokers the latter are driven into the arms of the Bank of England, to re-borrow the money which the banks have called from them. This is also the case if the India Government call in its loans, and the money to repay the same cannot be borrowed from the banks. Similarly with the Stock Exchange, if much money is absorbed in this quarter, the banks will reduce their accommodation to the bill-brokers, who may by this action again have to rely on the Bank of England; and again, lastly, if the foreign banks commence to draw money from us, the strain comes as usual on the Bank of England."

With the Bank of France rate remaining at 4 p.c., as compared with the Bank of England 7 p.c. minimum, the market rate of discount for first-class paper in London has naturally been such as to tempt the continental banker to buy London bills—to his own profit and to the strengthening of London's gold supply. Sometimes—as was notably so just before the New York crisis—money becomes sufficiently plentiful to bring the market rate considerably below the official rate. In such a case, if it seems advisable, the Bank enforces its influence by itself beginning to borrow from the open market, thus lessening the supply of money and strengthening the market rate.

While the recent crisis has shown conclusively the power of the Bank to safeguard the country's reserve of gold, it has raised acute questionings as to its bearing upon commercial and financial interests at home. By the increased discount rate, the business community as a whole is taxed to protect the country's final resources of gold. That safety is worth the price thus paid, if it can be secured in no other way, is not open to doubt. But the question naturally arises whether reserves cannot be upbuilt in times of ease to such an extent that even an international monetary strain will not entail sharp advances in the Bank and market rates of discount. So eminent an authority as Sir Felix Schuster recently expressed the opinion that the present crisis had exposed serious defects in the British banking system. Other members of the Institute of Bankers, among them Mr. Huth Jackson, replied to the effect that they could not quite follow the view of their president in deprecating the sensitiveness of the London money market to outside influences. "The organism of our market is so perfect," they maintained, "that it responds at once to the touch of a foreign demand." This they held to be a virtue, indeed, rather than a defect. They maintain that the financial supremacy of London depends essentially upon its remaining the world's free market for gold. Such a market "must be, and ought to be, sensitive to huge gold withdrawals." In their view an increased Bank rate in time of special strain is a less arbitrary—and far less burdensome—restriction upon domestic business interests, than would be the extensive hoarding of gold in times of international ease.

"A cast-iron gold reserve," remarks The Economist of London, "would be merely a dead-weight burden on bankers or taxpayers, or both; and the notion that we ought at all times to have such a hoard of gold that we could meet the heaviest demand ever known in the world's history, without feeling it, strikes us as preposterous." An analogy is suggested to the recommendations of the experts of whom Sir Robert Peel used to complain that they "would beggar the taxpayer in time of peace by