it is remembered that the Bank must be looked to for the gold reserves of the United Kingdom, and that this gold is also practically the only "free" supply in the world, one can understand the enormous responsibility resting upon this great institution.

> *The United Kingdom has thus to a pre-eminent degree an "elastic" currency—a currency made up of metal money, bank notes, government currency notes and cheques. The greater part of its business is carried on by checking against deposits—deposits which have, in the first instance, emerged as loans or discounts. By the term "elasticity" as applied to a currency is meant the capacity to expand and contract with an increase or decrease in the demand for it—that is, the adaptation of currency supply to currency need.*[1] *The English banking practice furnishes the nation with just such a currency in the enormous extent to which the cheque system has been developed.*

The International Gold Movement.

As has been seen, the Bank of England keeps the balances of the other banks. Thus the latter must look to it for gold or legal tender notes at times when the local community requires such. At the end of every month, especially at the ends of the quarters or at times of national holiday, the Bank's note circulation expands on the one hand and its gold holdings fall on the other. These movements, however, are regular; and after all the extensive and growing use of the cheque reduces their importance.

Far more important is the Bank of England's duty as custodian of gold reserves used for international banking. *London is the only European centre that is always prepared to honour its drafts immediately and to any extent in gold.* Both silver and gold are a legal tender in France, and the Bank of France, therefore, can legally meet any demand upon it in either metal. Indeed, the Bank of France often charges a premium on gold, sufficient to check any demand for it. At Berlin and other European centres credit instruments are not always easily and freely convertible into gold. In the United States—at least before the passing of the Federal Reserve Currency Act—there has been no unity of action between the banks, no central institution to regulate the gold supplies of the nation. The thousands of national banks, state banks and trust companies were, at a period of crisis, too busily engaged protecting their own reserves to play any outstanding rôle in international exchange. Consequently the Bank of England has to be pre-