

to take stock of the resources, financial condition and political methods of the borrowing community; and colonies which exhibit recklessness in their increase of debt, expenditure and taxation will find it increasingly difficult to float loans in London.—*Montreal Herald*.

**BRITISH BANK RESERVES.**—Ever since the Paring episode, it has been the fashion for a certain class of writers in the United States to point out the defects in the British banking system, and, by implication, to assert that, in so far as security by the maintenance of adequate reserves to meet moments of crisis is concerned, it is far inferior to the National Bank system. Theoretically they may have some right on their side, as few of the English discount banks carry more than 15 per cent., and some as low as only 6 per cent. of their deposits and acceptances; but the test of 47 years' actual experience shows that this arrangement has been found to work with absolute safety to the public, and that, in the light of this experience, it is not easy to see where the occasion arises for any change.

It is not in the volume of absolute cash in readiness to meet any sudden demand upon the part of depositors that the strength of the English banking system depends. No amount of cash that the banks could afford to carry could arrest a general crash of credit. The cash liquidation of such a volume of liabilities as those carried by the London banks would be out of the question, and any banking system that would appear to provide for such immediate cash payment of claims would break down at the moment of trial. The bankers of London are well aware of this, and therefore place their reliance, not upon the volume of their cash reserves, but upon the community of interest and interdependence, which compels them, in the face of great financial emergencies, to combine for their common protection. This is the only perfect form of defence against panic possible, and its efficacy was plainly made evident at the time of the Baring failure. In that case the intervention of the syndicate abated the first symptoms of panic at once. And yet they paid in no great accumulation of gold. They simply reared round the fallen house a wall of impregnable credit. That was all; and yet that sufficed to save London from a great financial crisis, and to allay a feeling of suspicion and alarm that might soon have developed into demoralization and panic.

An able financial writer has already pointed out that in monetary crises there are but two effective courses open: Either to promptly suspend payments at the incipency of the trouble until the excitement has subsided, which is rarely practicable, or to effect a co-operation among the banks to support each other and protect their customers, which is easily and safely accomplished, as is shown in the case of the Baring syndicate and in the repeated resort to the use of Clearing House certificates by the associated banks of the United States. It is in this recognized co-operation among themselves that the English banks find their security, and not in the volume of their cash reserves. They are well aware that any action based upon the solely hard cash principle is incompatible with the commercial requirements of the present day, and they have therefore wisely sought financial safety by the formation of a system of mutual interdependence, whose basis is the maintenance of an invulnerable credit.—*Journal of Commerce*.